

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2024**

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

CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2024

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Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (“the Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (referred to as “IFRS as endorsed in the Kingdom of Saudi Arabia”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code's requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities</p> <p>As at 31 December 2024, the total estimate of the present value of cash flows and risk adjustment for non-financial risk amounts to SR 4,386.822 million and SR 162.493 million, respectively, as further analysed in Note 6 to the consolidated financial statements.</p> <p>The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Group requires for bearing the uncertainty around the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The present value of future cash flows is based on the best estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs.</p> <p>Accordingly, the complexity arises from calculating the actuarial best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's appointed actuary based on their professional qualifications and experience and assessed their independence. • Performed substantive tests, on sample basis, on the amounts recorded for claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of the ultimate expected claims. • Assessed the integrity of data used as inputs into the actuarial valuations by testing, on sample basis, the accuracy of underlying claims data utilised by management's appointed actuary in estimating the present value of the future cashflows and the risk adjustment for non-financial risk and tracing it to the accounting and other records. • Engaged our internal actuarial specialists to assess the Group's methods and assumptions and evaluate the Group's actuarial practices and provisions established, including the actuarial report issued by management's appointed actuary, by performing the following:

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

<p>Due to the inherent estimation uncertainty and subjectivity involved in the assessment of the valuation of the liability for incurred claims arising from insurance contracts, along with these amounts being material, we have considered this as a key audit matter.</p> <p><i>Refer to notes 3(b)(i) for the accounting policy and significant accounting judgements, estimates and assumptions adopted by the Group, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to note 6 for the movement in insurance contract liabilities.</i></p>	<ul style="list-style-type: none"> i. Evaluated whether the actuarial methodologies adopted by the Group were consistent with generally accepted actuarial practices and with prior years. We sought justification for any significant differences; and ii. Assessed the appropriateness of key actuarial assumptions including expected loss ratios. We tested these assumptions by comparing them with the Group's historical experience and our own industry knowledge. We also performed reprojections of the present value of future cashflows using these assumptions and methods, and compared them with the amounts recorded by the management. • Assessed the adequacy and appropriateness of the related disclosures in the consolidated financial statements.
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Other information

Management is responsible for the other information. The other information comprises the information included in the Group's 2024 annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Group's annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

Those charged with governance i.e., the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Independent Auditors' Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Bupa Arabia for Cooperative Insurance Company (A Saudi Joint Stock Company) (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

For PricewaterhouseCoopers (Public Accountants)



Mufaddal A. Ali
License No. 447



For KPMG Professional Services Company



Ebrahim Oboud Baeshen
Licence No. 382



Jeddah, Kingdom of Saudi Arabia
5 Shaban 1446H

Corresponding to February 4, 2025

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


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024


(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Notes	31 December 2024	31 December 2023*
<u>ASSETS</u>			
Cash and cash equivalents	5	925,190	1,255,896
Reinsurance contract assets	6.2	98,178	74,090
Prepaid expenses and other assets	11	422,944	475,475
Term deposits	8	6,040,542	7,223,011
Financial assets at amortised cost – net	7	935,811	587,360
Financial assets at fair value	7	6,586,463	4,246,757
Deferred tax asset	21,33	33,570	38,609
Fixtures, furniture and equipment – net	9.1	76,386	69,879
Right-of-use assets – net	9.2	131,528	143,388
Intangible assets – net	10	72,125	67,236
Statutory deposit – net	12	149,965	149,960
Accrued income on statutory deposit	12	4,378	8,690
Goodwill	4	98,000	98,000
TOTAL ASSETS		15,575,080	14,438,351
<u>LIABILITIES</u>			
Accrued and other liabilities	15.1	651,396	734,859
Insurance contract liabilities	6.1	9,004,813	8,267,196
Due to related parties	20,33	46,944	40,935
Lease liability	15.2	144,817	166,066
Provision for end-of-service benefits	17	191,876	186,487
Provision for zakat and income tax	21	412,859	358,589
Accrued income payable to Insurance Authority	12	4,378	8,690
TOTAL LIABILITIES		10,457,083	9,762,822
<u>EQUITY</u>			
Share capital	22	1,500,000	1,500,000
Statutory reserve	23	1,500,000	1,352,757
Share based payments reserve	24	48,634	48,477
Shares held under employees share scheme	24	(145,476)	(65,115)
Retained earnings		2,306,706	1,853,721
Re-measurement reserve for end-of-service benefits		(7,573)	(13,698)
Investments fair value reserve		(84,294)	(613)
TOTAL EQUITY		5,117,997	4,675,529
TOTAL LIABILITIES AND EQUITY		15,575,080	14,438,351


*Refer to note 33 regarding the changes in the order of comparatives.



Chairman
Loay Hisham Nazer



Chief Financial Officer
Hatim Tariq Jamal



Director and Chief Executive Officer
Tal Hisham Nazer

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

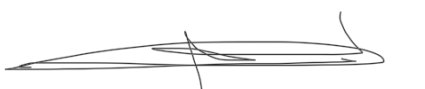
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF INCOME


For the year ended 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Notes	2024	2023
Insurance revenue	6.1	18,101,517	15,887,715
Insurance service expense	6.1	(17,033,460)	(14,994,432)
Net expenses from reinsurance contracts held	6.2	(69,961)	(28,246)
Net insurance service result		998,096	865,037
Commission and income on financial assets at amortised cost	7	409,687	350,636
Commission and income on financial assets at fair value	7	262,097	163,425
Net impairment reversal / (loss) on financial assets		590	(785)
Net investment results		672,374	513,276
Net insurance and investment results		1,670,470	1,378,313
Other operating expenses	25	(348,648)	(316,813)
Other revenue		90,386	92,065
Other cost		(39,582)	(36,886)
Income attributed to the shareholders before zakat and income tax		1,372,626	1,116,679
Zakat charge	21	(77,064)	(80,237)
Income tax charge	21	(129,560)	(96,279)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		1,166,002	940,163
Basic and diluted earnings per share (expressed in SR per share)	27	7.79	6.29


Chairman
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Hatim Tariq Jamal


Director and Chief Executive Officer
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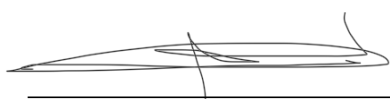
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


For the year ended 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	<u>2024</u>	<u>2023</u>
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	1,166,002	940,163
Other comprehensive (loss) / income		
<i>A. Items that will not be reclassified to consolidated statement of income in subsequent years</i>		
Actuarial gains / (losses) on end-of-service benefits	6,125	(6,655)
Net changes in fair value of investments measured at FVOCI – equity instruments	3,305	15,255
<i>B. Items that are or may be reclassified to consolidated statements of income in subsequent years</i>		
Net changes in fair value of investments measured at FVOCI – debt instruments	(87,958)	58,152
Net changes in allowance for expected credit losses of investments measured at FVOCI – debt instruments	69	396
Total other comprehensive (loss) / income	(78,459)	67,148
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,087,543</u>	<u>1,007,311</u>


 Chairman
 Loay Hisham Nazer


 Chief Financial Officer
 Hatim Tariq Jamal


 Director and Chief Executive Officer
 Tal Hisham Nazer

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve for end-of-service benefits	Investments fair value reserve	Total equity
2024								
Balance at 31 December 2023	1,500,000	1,352,757	48,477	(65,115)	1,853,721	(13,698)	(613)	4,675,529
Net income for the year attributed to shareholders after zakat and income tax	-	-	-	-	1,166,002	-	-	1,166,002
Other comprehensive (loss) / income	-	-	-	-	-	6,125	(84,584)	(78,459)
Total comprehensive income / (loss) for the year	-	-	-	-	1,166,002	6,125	(84,584)	1,087,543
Transfer to statutory reserves	-	147,243	-	-	(147,243)	-	-	-
Transfer of realized fair value loss of investment measured at FVOCI equity instruments to retained earnings	-	-	-	-	(903)	-	903	-
Provision for employees share scheme	-	-	36,883	-	-	-	-	36,883
Transactions with owners of the Group:								
Delivery of shares held under employees share scheme	-	-	(36,726)	36,726	-	-	-	-
Purchase of shares held under employees share scheme	-	-	-	(117,087)	-	-	-	(117,087)
Dividends (note 30)	-	-	-	-	(600,000)	-	-	(600,000)
Income tax refundable from non-Saudi shareholders	-	-	-	-	35,129	-	-	35,129
Balance at 31 December 2024	1,500,000	1,500,000	48,634	(145,476)	2,306,706	(7,573)	(84,294)	5,117,997

Chairman
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Chief Financial Officer
Hatim Tariq Jamal

Director and Chief Executive Officer
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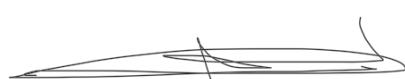
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)


For the year ended 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Share based payments reserve	Shares held under employees share scheme	Retained earnings	Re-measurement reserve for end-of-service benefits	Investments fair value reserve	Total equity
2023								
Balance at 31 December 2022 (Restated)	1,500,000	1,164,724	54,268	(78,235)	1,641,591	(7,043)	(74,416)	4,200,889
Net income for the year attributed to shareholders after zakat and income tax	-	-	-	-	940,163	-	-	940,163
Other comprehensive income / (loss)	-	-	-	-	-	(6,655)	73,803	67,148
Total comprehensive income / (loss) for the year	-	-	-	-	940,163	(6,655)	73,803	1,007,311
Transfer to statutory reserves	-	188,033	-	-	(188,033)	-	-	-
Provision for employees share scheme	-	-	26,164	-	-	-	-	26,164
Transactions with owners of the Group:								
Delivery of shares held under employees share scheme	-	-	(31,955)	31,955	-	-	-	-
Purchase of shares held under employees share scheme	-	-	-	(18,835)	-	-	-	(18,835)
Dividends (note 30)	-	-	-	-	(540,000)	-	-	(540,000)
Balance at 31 December 2023	<u>1,500,000</u>	<u>1,352,757</u>	<u>48,477</u>	<u>(65,115)</u>	<u>1,853,721</u>	<u>(13,698)</u>	<u>(613)</u>	<u>4,675,529</u>


Chairman
Loay Hisham Nazer


Chief Financial Officer
Hatim Tariq Jamal


Director and Chief Executive Officer
Tal Hisham Nazer

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)


	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to shareholders before zakat and income tax		1,372,626	1,116,679
<u>Adjustments for non-cash items:</u>			
Depreciation of fixtures, furniture and equipment	9.1	18,421	16,169
Amortisation of right-of-use assets	9.2	21,045	22,559
Amortisation of intangible assets	10	19,369	17,029
Loss / (gain) on disposal of fixtures and furniture and equipment		3,588	(169)
Gain on termination of a lease		(10,952)	-
Provision for employees share scheme		36,883	26,164
Net impairment (gain) / loss on financial assets		(414)	742
Commission and income on financial assets at amortized cost		(409,687)	(350,636)
Commission and income on financial assets at fair value		(262,097)	(163,425)
Provision for end-of-service benefits	17	34,045	31,564
Finance cost on leases	15.2	4,911	6,065
<u>Changes in operating assets and liabilities:</u>			
Insurance contract liabilities		808,601	1,612,240
Reinsurance contract assets		(24,088)	(45,935)
Reinsurance contract liabilities		-	(2,605)
Investment carried at FVTPL		(5,275)	-
Prepaid expenses and other assets		50,334	(64,956)
Due from related parties		-	3,316
Accrued and other liabilities		(83,463)	204,144
Due to related parties		41,138	40,935
		1,614,985	2,469,880
End-of-service benefits paid	17.1	(22,531)	(5,786)
Surplus paid to policyholders	29	(70,984)	(44,229)
Zakat and income tax paid	21	(147,315)	(142,591)
Net cash generated from operating activities		1,374,155	2,277,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	8	(2,794,848)	(4,334,871)
Proceeds from maturity of term deposits	8	4,317,551	3,804,800
Additions to investments carried at FVOCI	7	(2,828,514)	(2,321,377)
Additions to investments carried at amortised cost	7	(343,586)	(101,265)
Disposal of investments carried at FVOCI	7	403,451	1,056,683
Proceeds from maturity of amortised cost investments	7	4,298	3,939
Proceeds from commissions and dividends*		328,844	207,356
Additions to fixtures, furniture and equipment	9.1	(28,671)	(22,405)
Proceeds from disposal of fixtures, furniture and equipment		155	169
Additions to intangible assets	10	(24,258)	(18,852)
Net cash used in investing activities		(965,578)	(1,725,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	30	(600,000)	(540,000)
Purchase of shares held under employees share scheme		(117,087)	(18,835)
Lease liability paid**	15.2	(22,196)	(24,681)
Net cash used in financing activities		(739,283)	(583,516)
Net change in cash and cash equivalents		(330,706)	(32,065)
Cash and cash equivalents at beginning of the year		1,255,896	1,287,961
Cash and cash equivalents at end of the year		925,190	1,255,896


Non-cash transactions


Income tax refundable from non-Saudi shareholders	35,129	-
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* This includes dividends amounting to SR 34.75 million (2023: SR 29.69 million)

** Lease liabilities paid includes finance cost of SR 4.9 million (2023: SR 6.1 million).


Chairman
Loay Hisham Nazer


Chief Financial Officer
Hatim Tariq Jamal


Director and Chief Executive Officer
Tal Hisham Nazer

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

1. ORGANIZATION AND PRINCIPAL 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’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-Khaleidiyah 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 Central Bank (“SAMA”) (herein after referred to as ‘the Regulations’), 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. During 2023, the Insurance Authority has been established by a royal decree as the insurance regulator (herein after referred to as ‘the Regulator’). Previously issued regulations by SAMA will be upheld until the Insurance Authority issued updated regulations. Therefore, the accrued income liability is payable to the Insurance Authority.

The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to June 30, 2022) (hereinafter referred as the “New Law”) came into force on 26/06/1444H (corresponding to January 19, 2023) as well as the amended implementing regulations that were issued by the Capital Market Authority (CMA) based on the New Law. In this regard, the Company after assessing the impact of the New Law, convened an Extraordinary General Assembly meeting on 24/12/1445H (corresponding to June 30, 2024), which has approved the amendment of certain provisions of the Company’s By-laws to ensure compliance with the requirements of the new Companies’ Law and the amended CMA implementing regulations. Legal formalities associated with the Company’s amended By-laws were completed during 2024.

The Company has the following subsidiaries:

Name of the subsidiary	Registration number	Country of incorporation	Ownership	Principal business activity
Bupa Arabia For Third Party Administration	4030605585	Saudi Arabia	100%	Claims management services
Health Horizon Medical Care Company	4030512306	Saudi Arabia	100%	Healthcare services

These consolidated financial statements comprise of the Company and its subsidiaries (together referred to as the “Group”). Bupa Arabia For Third Party Administration commenced operations in July 2022. During 2023, the Group established a subsidiary “Health Horizon Medical Care Company” with an authorised capital of SR 10 million.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by Saudi Organisation for Chartered and Professional Accountants (“SOCPA”) (“IFRS as endorsed by SOCPA”).

The consolidated 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 profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) and provision for end-of-service benefits recorded at the present value using the projected unit credit method. Moreover, the insurance and reinsurance contracts are measured at the estimated fulfilment cashflows that are expected to arise as the Group fulfils its contractual obligations in accordance with IFRS 17. The details relating to gross written premium under note 19 of these consolidated financial statements are disclosed to comply with the requirements of the Regulator. The classification of gross written premium (amount of policy premium) is based on the number of lives covered in the policy as prescribed by the regulations.

The Group’s consolidated statement of financial position is not presented using a current/non-current classification and is presented in order of liquidity. Except for fixtures, furniture and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, deferred tax, accrued income on statutory deposit and accrued income payable to Insurance Authority, all other assets and liabilities are of short-term nature. Moreover, the balances which are mixed in nature (i.e. include both current and non-current portions) are insurance contract liabilities, lease liabilities, term deposits, financial assets at fair value, financial assets at amortized cost, reinsurance contract assets / liabilities and provision for end of service benefits.

As required by the regulations, the Group maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses clearly attributable to each operation are recorded in the respective accounts. In preparing the consolidated financial statements in compliance with IFRS as endorsed by SOCPA, the balances and transactions of insurance operations are amalgamated and combined with those of shareholders’ operations. Inter-operation balances, transactions and unrealized gains or losses, 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. Note 35 which sets out the disaggregated information between insurance and shareholders’ operations is supplementary information to the consolidated financial statements.

Management has also presented separate amounts for shareholders and insurance operations in Notes 5, 7, 8, 11, and 15. For statutory reporting under IFRS as endorsed by SOCPA, only aggregated amounts are required to be considered.

(b) Functional and presentation currency

These consolidated financial statements are expressed in Saudi Arabian Riyals (SR), which is the Company’s functional currency, and all amounts are rounded off to the nearest thousand, unless otherwise indicated.

(c) Fiscal year

The Group follows a fiscal year ending on 31 December.

(d) Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and the accompanying notes disclosures including disclosure of contingent liabilities. Actual results may differ from these estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION (continued)

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

i) Insurance contracts

The Group issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The measurement of these insurance contracts also requires significant judgement and estimates. These significant judgements and estimates include Risk Adjustment ("RA") and liability for incurred claims – estimate of future cash flows. Refer to note 3 for further details.

ii) Fair value of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. Refer note 18 for details.

iii) Going concern

The Group's management has assessed the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

iv) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2024 and 2023 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated in note 4. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less than any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The recoverable amount is the greater of its value in use or fair value less cost to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION (continued)

(e) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the financial statements of the subsidiaries, as stated in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies. Adjustments have been made to the financial statements of the subsidiaries, where necessary, to align with the Group's consolidated financial statements.

A subsidiary is the investee that is controlled by the Group. The Group controls an investee only when it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of its returns.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented except new IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Group as explained below:

a) (i) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Group

<i><u>Standards, amendments, interpretations</u></i>	<i><u>Description</u></i>	<i><u>Effective date</u></i>
Amendments to IAS 1 Presentation of Financial Statements	Non-current Liabilities with covenants and classification of Liabilities as Current or Non-current	01 January 2024
Amendments to IFRS 16 Leases	Lease Liability in a Sale and Leaseback	01 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	01 January 2024

These amendments had no impact on the consolidated financial statements of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

a) (ii) Accounting standards issued but not yet effective

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2025 or after, but do not have a material impact on the consolidated financial statements of the Group.

<u>Standards, amendments, interpretations</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 21	Lack of exchangeability – Amendments to IAS 21	01 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely
New standard “IFRS 18”	IFRS 18, ‘Presentation and Disclosure in Financial Statements’	01 January 2027
New standard “IFRS 19”	IFRS 19, ‘Subsidiaries without Public Accountability: Disclosures’	01 January 2027
Amendments to IFRS 9 and IFRS 7	Classification and measurement of Financial Instruments- Amendments to IFRS 9 and IFRS 7	01 January 2026

b) Material accounting policies, including key judgments and estimates

i) IFRS 17 – accounting policies, including key judgments and estimates

The Group issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims (“LIC”) and Liability for Remaining Coverage (“LRC”).

Unit of account and measurement model

The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. The PMI business is further divided as Corporate, SMEs and Others based on customer size. All insurance contracts within PMI line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Unit of account and measurement model (continued)

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
 - Discounted estimates of future cash flows.; and
 - A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

The premium allocation approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Group uses the PAA for measuring contracts with a coverage period of one year or less. The Group is adopting the PAA measurement model for the measurement of LRC for the whole PMI business. This is principally based on the eligibility test for fulfilment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

Initial and subsequent measurement

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

For insurance contracts issued, on initial recognition, the Group measures the LRC as the amount of premiums received, less any acquisition cash flows paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the fulfilment cash flows (“FCF”) related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- b) decreased for insurance acquisition cash flows paid in the period;
- c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Initial and subsequent measurement (continued)

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on Group's assessment, there are no investment components within insurance contracts issued by the Group.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

The Group holds quota share reinsurance contract that provide coverage on the PMI insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Group does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model.

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid, plus acquisition cost paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The Group is presenting income/ expense from reinsurance as a net line item in the consolidated statement of income.

Liability for Incurred Claims "LIC"

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. The Group estimates the liability for incurred claims and expenses as the fulfilment cash flows related to incurred claims and expenses. The fulfilment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfills its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Group presents the entire change in risk adjustment as part of insurance service results.

The Group establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the consolidated statement of financial position date, including claims not yet reported ("IBNR") and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Group. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type. Loss ratio is the ratio of total claims incurred to total premiums earned for the portfolio.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Liability for Incurred Claims “LIC” (continued)

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

The Group has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Group has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Group will regularly monitor the time it takes in settling claims from the date they are incurred. The Group has elected the accounting policy choice to present entire insurance finance income or expense for the period in the consolidated statement of income.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a. the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Insurance acquisition costs

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts. Acquisition costs fall under the insurance service expense. The Group amortises the insurance acquisition costs over the contract period.

Directly attributable expenses

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Group allocates the attributable costs based on a number of drivers. Attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the consolidated statement of income in insurance service expense. The loss component is then amortized to the consolidated statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The Group has relied on the bootstrap method to determine the risk adjustment for LIC and value-at-risk approach to determine the risk adjustment for LRC (loss component). The Group has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

ii) IFRS 9 – accounting policies, including key judgments and estimates

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Classification (continued)

Financial assets at amortized cost

Debt Instruments:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI) and accumulated under the Investment fair value reserve in the consolidated statement of changes in equity. Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment, the Group may irreversibly elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All regular-way purchases and sales of financial assets are initially recognised and derecognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the consolidated statement of income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in consolidated statement of income as investment income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the consolidated statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Certain Tier-1 sukuks have been classified under equity due to the perpetual nature of the instruments and discretion of profit distribution with the issuer.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment

Overview of Expected Credit Loss (“ECL”) principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss. Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of the consolidated statement of financial position date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

No impairment loss is recognized on equity instruments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Group. For investment in debt securities, if the Days Past Due (‘DPD’) is 0, then investment is considered as Stage 1 and if the DPD is more than 0, investment is considered as Stage 3.

Staging of financial assets

The Group categorizes its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

Credit impaired financial asset

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Group considers indicators that are:

- qualitative- e.g., breaches of covenant and non-payment on another obligation of the same issuer to the Group.
- quantitative- e.g., overdue status (more than 90 days); and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalised approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates (continued)

Financial assets – Impairment (continued)

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.

Forward looking estimate

While estimating the ECL, the Group reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyzes the relationship between key economic trends with the estimate of PD. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Financial liabilities

Classification and derecognition of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized - cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate ("EIR"). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated statement of income. The Group derecognizes financial liability when its contractual obligations are discharged cancelled, or expired.

iii) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and term deposits that have original maturity periods not exceeding three months from the date of acquisition.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

iv) Fixtures, furniture and equipment

Fixtures, furniture and equipment are initially recorded in the consolidated statement of financial position at cost. Subsequent measurement is carried out at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Office furniture and fixtures	5 to 20
Computer equipment	2.5 to 7
Motor vehicles	4
Leasehold improvements (civil, construction work and fixtures)	15 years or lease term

Residual values, useful lives and the methods of depreciation are reviewed and adjusted as appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the consolidated statement of income on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of income.

Expenditure for repairs and maintenance is charged to the consolidated statement of income. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Gain / loss on sale of fixtures, furniture and equipment and Right-of-use assets is included in consolidated statement of income.

v) Intangible assets

Separately acquired intangible assets (software) are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The Group amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	3 to 7

vi) Goodwill

Goodwill is initially measured at excess of the fair value of the consideration paid over the fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. Refer note 4.

vii) Accrued and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

viii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

ix) Provision for end-of-service benefits

Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as it falls due. Re-measurement (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in the consolidated statement of other comprehensive income, which are accumulated under 'Re-measurement reserve for end-of-service benefits' in consolidated statement of changes in equity.

x) Share based payments and shares held under employees share scheme

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is the date at which the entity and an employee agree to a share based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The fair value of shares granted during the period has been determined using the market price of group's share on the grant date. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity as a reserve for a share based payment, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the consolidated statement of income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The cumulative expenses recognized for equity-settled transactions are accumulated under share-based payment reserve within consolidated statement of changes in equity.

In cases where an award is forfeited (i.e. when the vesting conditions relating to an award are not satisfied), the Group reverses the expense relating to such awards previously recognised in the statement of income. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. The value of the shares repurchased, including costs associated with the acquisition, is recognized as a deduction from equity. The Group retains shares under employees share scheme, which represents treasury shares.

xi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xi) Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year. Impairment losses of continuing operations are recognised in the consolidated statement of income.

For assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of income.

xii) De-recognition

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired.

xiii) Revenue recognition

Investment and commission income

Investment income or loss comprises of commission income, dividends, unrealised and realised gains and losses on investments. Commission income on term deposits and investments is recognised using the effective interest method in the consolidated statement of income.

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

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At 31 December 2024

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xiii) Revenue recognition (continued)

Other revenues

Other revenue represents revenue generated from operations of non-insurance services rendered by subsidiaries. The Group recognizes revenue from contracts, with customers based on a five-step model as set out in IFRS 15. The transaction price is determined in accordance with the contractual terms of the arrangement, wherein Group receives fixed amount of consideration, based on the extent of service provided. Since the services are provided with a credit term of less than a year, there is no significant financing component in the arrangement. Further, the Group has determined that the performance obligation is satisfied over time as the customer receives and consumes the benefits simultaneously and revenue is recognized in the period in which the services are rendered. Customers are invoiced on a monthly basis and consideration is payable when invoiced. There were no contract assets or contract liabilities at the end of the reporting period as all services provided were already invoiced and there were no advance payments from customers as at that date.

Further, in order to fulfil the commitment relating to this agreement, the Group receives funds in advance from the customer to settle anticipated claims from medical service providers. These funds are not recognised as assets in the Group's consolidated statement of financial position as the Group does not exercise control over these funds. (Refer note 13)

xiv) Leases

Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The Group applies the cost model, and measure right of use asset at cost;

1. less any accumulated amortization and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, generally, the initial carrying value of a right-of-use asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. it needs to be added to the right of use asset value.

The recognised right-of-use assets are amortized 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. The estimated useful lives of the assets for the calculation of amortization are as follows:

	Years
Right-of-use assets	5 to 20

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3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xiv) Leases (continued)

Lease Liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The incremental borrowing rate used for new leases entered during the year ranges from 4% - 6%.

After the commencement date, Group measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

xv) Zakat and income tax

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Amounts accrued for zakat expense in one year may have to be adjusted in a subsequent year if the estimate of the annual charge changes.

On 22 March 2024, ZATCA announced the issuance of a new Zakat Implementing Regulation, through the Ministerial Resolution (MR) No.1007 dated 29 February 2024, which was electronically published in the Official Gazette (Umm Al-Qura) on 21 March 2024. The new Zakat regulation is replacing the current regulation issued through MR No. 2216 dated 14 March 2019.

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3. MATERIAL ACCOUNTING POLICIES (continued)

b) Material accounting policies, including key judgments and estimates (continued)

xv) Zakat and income tax (continued)

Deferred tax

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

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

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

xvi) Foreign currencies

The accounting records of the Group are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date. All differences are taken to the statement of income.

xvii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

xviii) Cash dividends to shareholders

The Group recognises a liability for cash distributions to shareholders of the Group when the distribution is authorised and is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders and Insurance Authority. A corresponding amount is recognised in equity.

All ordinary shares rank equally with regard to Group's residual assets. Holders of these shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Group. All rights attached to treasury shares are suspended until those shares are reissued.

xix) Statutory reserve

The Group allocates 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital, as mandated by relevant regulations. The reserve is not available for distribution.

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4. GOODWILL

On 31 December 2008, the Group entered into an agreement with Bupa Middle East Limited E.C. (the “Seller”), a related party, pursuant to which it acquired the Seller’s insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by SAMA and resulted in goodwill of SR 98 million. The entire amount was paid in the previous years, to the Seller, after obtaining the required regulatory approvals.

The Group’s management annually carry out impairment test in respect of the above-mentioned goodwill. Management conducted the impairment exercise for the year ended 31 December 2024. The recoverable amount of operations has been terminal based on value in use. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the Group operates. The goodwill is allocated to the Corporate CGU of the Company. The three key assumptions used in the test are the discount rate, estimated future cash flows from the business and insurance service revenue and expense growth rates as follows:

- An average discount rate of 11.7% (2023: 12%) was used to discount future cash flows.
- Insurance service revenue average growth rate of 9.8% was used for the first three years. Thereafter, a growth rate of 3% (2023: 3%) was used in the terminal value calculation.
- Insurance service expense average growth rate of 9.9% was used for the first three years. Thereafter, a growth rate of 3% (2023: 3%) was used in the terminal value calculation.

Management believes that a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount of CGU would not result in the carrying amount of CGU to exceed its recoverable amount.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	31 December 2024		
	Insurance operations	Shareholders’ operations	Total
Bank balances	712,328	213,066	925,394
Less: Impairment allowance	(173)	(31)	(204)
	<u>712,155</u>	<u>213,035</u>	<u>925,190</u>
	31 December 2023		
	Insurance operations	Shareholders’ operations	Total
Bank balances	897,625	358,651	1,256,276
Less: Impairment allowance	(300)	(80)	(380)
	<u>897,325</u>	<u>358,571</u>	<u>1,255,896</u>

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6. INSURANCE AND REINSURANCE CONTRACTS

	Note	31 December 2024	31 December 2023
<u>Insurance contract liabilities</u>			
Corporate	6.1 a	7,605,514	7,097,020
SMEs and others	6.1 b	1,399,299	1,170,176
		<u>9,004,813</u>	<u>8,267,196</u>
<u>Reinsurance contract assets</u>	6.2	<u>98,178</u>	<u>74,090</u>

6.1 Analysis by remaining coverage and incurred claims for insurance contracts

a. Corporate

	31 December 2024				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	
Insurance contracts issued:					
Opening insurance contract liabilities	3,793,448	-	3,182,948	120,624	7,097,020
Insurance revenue	(15,943,690)	-	-	-	(15,943,690)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	14,773,295	132,939	14,906,234
Losses on onerous contracts	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(378,898)	(108,069)	(486,967)
Reversal of onerous contract	-	-	-	-	-
Insurance acquisition cash flows amortization	779,745	-	-	-	779,745
Insurance service expenses	779,745	-	14,394,397	24,870	15,199,012
Insurance service result	(15,163,945)	-	14,394,397	24,870	(744,678)
Cash flows					
Premiums received	15,673,496	-	-	-	15,673,496
Claims and other directly attributable expenses paid	-	-	(13,729,681)	-	(13,729,681)
Insurance acquisition cash flows paid	(690,643)	-	-	-	(690,643)
Total cash flows	14,982,853	-	(13,729,681)	-	1,253,172
Closing insurance contract liabilities	3,612,356	-	3,847,664	145,494	7,605,514

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6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

b. SMEs and others

	31 December 2024				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	
Insurance contracts issued:					
Opening insurance contract liabilities	718,782	-	437,251	14,143	1,170,176
Insurance revenue	(2,157,827)	-	-	-	(2,157,827)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	1,752,445	15,566	1,768,011
Losses on onerous contracts	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(52,562)	(12,710)	(65,272)
Reversal of onerous contract	-	-	-	-	-
Insurance acquisition cash flows amortization	131,709	-	-	-	131,709
Insurance service expenses	131,709	-	1,699,883	2,856	1,834,448
Insurance service result	(2,026,118)	-	1,699,883	2,856	(323,379)
Cash flows					
Premiums received	2,253,851	-	-	-	2,253,851
Claims and other directly attributable expenses paid	-	-	(1,597,976)	-	(1,597,976)
Insurance acquisition cash flows paid	(103,373)	-	-	-	(103,373)
Total cash flows	2,150,478	-	(1,597,976)	-	552,502
Closing insurance contract liabilities	843,142	-	539,158	16,999	1,399,299

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(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

a. Corporate

	31 December 2023				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	
Insurance contracts issued:					
Opening insurance contract liabilities	3,083,652	61,561	2,486,425	97,512	5,729,150
Insurance revenue	(13,917,361)	-	-	-	(13,917,361)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	13,001,338	111,151	13,112,489
Losses on onerous contracts	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(268,952)	(88,039)	(356,991)
Reversal of onerous contract	-	(61,561)	-	-	(61,561)
Insurance acquisition cash flows amortization	638,054	-	-	-	638,054
Insurance service expenses	638,054	(61,561)	12,732,386	23,112	13,331,991
Insurance service result	(13,279,307)	(61,561)	12,732,386	23,112	(585,370)
Cash flows					
Premiums received	14,710,090	-	-	-	14,710,090
Claims and other directly attributable expenses paid	-	-	(12,035,863)	-	(12,035,863)
Insurance acquisition cash flows paid	(720,987)	-	-	-	(720,987)
Total cash flows	13,989,103	-	(12,035,863)	-	1,953,240
Closing insurance contract liabilities	3,793,448	-	3,182,948	120,624	7,097,020

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(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.1 Analysis by remaining coverage and incurred claims for insurance contracts (continued)

b. SMEs and others

	31 December 2023				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimate of present value of cash flows	RA for non-financial risk	
Insurance contracts issued:					
Opening insurance contract liabilities	602,662	-	354,862	12,511	970,035
Insurance revenue	(1,970,354)	-	-	-	(1,970,354)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	1,612,229	13,111	1,625,340
Losses on onerous contracts	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(60,042)	(11,479)	(71,521)
Reversal of onerous contract	-	-	-	-	-
Insurance acquisition cash flows amortization	108,622	-	-	-	108,622
Insurance service expenses	108,622	-	1,552,187	1,632	1,662,441
Insurance service result	(1,861,732)	-	1,552,187	1,632	(307,913)
Cash flows					
Premiums received	2,103,653	-	-	-	2,103,653
Claims and other directly attributable expenses paid	-	-	(1,469,798)	-	(1,469,798)
Insurance acquisition cash flows paid	(125,801)	-	-	-	(125,801)
Total cash flows	1,977,852	-	(1,469,798)	-	508,054
Closing insurance contract liabilities	718,782	-	437,251	14,143	1,170,176

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6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

	31 December 2024				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	Total
Reinsurance contracts held:					
Opening reinsurance contract assets	(21,385)	-	(50,484)	(2,221)	(74,090)
Opening reinsurance contract liabilities	-	-	-	-	-
Net opening balance	(21,385)	-	(50,484)	(2,221)	(74,090)
Reinsurance expense	234,981	-	-	-	234,981
Claims recovered and other directly attributable expenses	-	-	(212,703)	(2,282)	(214,985)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	47,860	2,105	49,965
Net expense from reinsurance contracts held	234,981	-	(164,843)	(177)	69,961
Cash flows					
Premiums ceded	(254,872)	-	-	-	(254,872)
Recoveries from reinsurance	-	-	160,823	-	160,823
Total cash flows	(254,872)	-	160,823	-	(94,049)
Closing reinsurance contract assets	(41,276)	-	(54,504)	(2,398)	(98,178)
Closing reinsurance contract liabilities	-	-	-	-	-
Net closing balance	(41,276)	-	(54,504)	(2,398)	(98,178)

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6. INSURANCE AND REINSURANCE CONTRACTS (continued)

6.2 Analysis by remaining coverage and incurred claims for reinsurance contracts (continued)

	31 December 2023				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss component	Loss recovery component	Estimate of present value of cash flows	RA for non-financial risk	Total
Reinsurance contracts held:					
Opening reinsurance contract assets	(2,669)	-	(24,585)	(901)	(28,155)
Opening reinsurance contract liabilities	2,605	-	-	-	2,605
Net opening balance	(64)	-	(24,585)	(901)	(25,550)
Reinsurance expense	151,740	-	-	-	151,740
Claims recovered and other directly attributable expenses	-	-	(131,077)	(1,740)	(132,817)
Changes that relate to past service - adjustments to the asset for incurred claims	-	-	8,903	420	9,323
Net expense from reinsurance contracts held	151,740	-	(122,174)	(1,320)	28,246
Cash flows					
Premiums ceded	(173,061)	-	-	-	(173,061)
Recoveries from reinsurance	-	-	96,275	-	96,275
Total cash flows	(173,061)	-	96,275	-	(76,786)
Closing reinsurance contract assets	(21,385)	-	(50,484)	(2,221)	(74,090)
Closing reinsurance contract liabilities	-	-	-	-	-
Net closing balance	(21,385)	-	(50,484)	(2,221)	(74,090)

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7. INVESTMENTS

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Financial assets at amortised cost, net	615,501	320,310	935,811	294,764	292,596	587,360
Financial assets at fair value	3,056,255	3,530,208	6,586,463	1,947,087	2,299,670	4,246,757
	3,671,756	3,850,518	7,522,274	2,241,851	2,592,266	4,834,117

Details of investments classified as financial assets at fair value are as follows:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Investments at FVTPL	34,942	414,239	449,181	46,361	422,328	468,689
Investments at FVOCI – Debt	3,021,313	1,541,129	4,562,442	1,900,726	1,354,937	3,255,663
Investments at FVOCI – Equity	-	1,574,840	1,574,840	-	522,405	522,405
	3,056,255	3,530,208	6,586,463	1,947,087	2,299,670	4,246,757

(i) Investments measured at amortised cost – net comprise of the following:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	615,646	320,385	936,031	294,843	292,678	587,521
Less: Impairment allowance on investments at amortised cost	(145)	(75)	(220)	(79)	(82)	(161)
	615,501	320,310	935,811	294,764	292,596	587,360

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7. INVESTMENTS (continued)

(ii) Investments measured at FVTPL comprise of the following:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	-	-	-	11,014	36,044	47,058
Funds	34,942	405,011	439,953	35,347	376,298	411,645
Equity	-	9,228	9,228	-	9,986	9,986
	<u>34,942</u>	<u>414,239</u>	<u>449,181</u>	<u>46,361</u>	<u>422,328</u>	<u>468,689</u>

(iii) Investments at FVOCI – Debt comprise of the following:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Sukuks	3,021,313	1,541,129	4,562,442	1,900,726	1,354,937	3,255,663
	<u>3,021,313</u>	<u>1,541,129</u>	<u>4,562,442</u>	<u>1,900,726</u>	<u>1,354,937</u>	<u>3,255,663</u>

(iv) Investments at FVOCI – Equity comprise of the following:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Equity	-	59,498	59,498	-	58,774	58,774
Sukuks	-	1,402,981	1,402,981	-	410,444	410,444
Investments in discretionary portfolios	-	112,361	112,361	-	53,187	53,187
	<u>-</u>	<u>1,574,840</u>	<u>1,574,840</u>	<u>-</u>	<u>522,405</u>	<u>522,405</u>

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7. INVESTMENTS (continued)

The movements in the investments, excluding loss allowance, are as follows:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year	2,241,930	2,592,348	4,834,278	1,285,445	2,093,115	3,378,560
Purchased during the year	1,704,686	1,850,113	3,554,799	1,669,634	753,008	2,422,642
Disposed during the year	(241,665)	(548,542)	(790,207)	(765,380)	(295,242)	(1,060,622)
Unrealized gains / (losses) during the year, net	(42,802)	(45,884)	(88,686)	49,361	39,303	88,664
Accrued interest	9,752	2,558	12,310	2,870	2,164	5,034
	3,671,901	3,850,593	7,522,494	2,241,930	2,592,348	4,834,278

Movement in loss allowance for investments at amortised cost for the year is as follows:

	31 December 2024				31 December 2023			
	Stage 1 12-month ECL	Stage 2 ECL not Credit impaired	Stage 3 Lifetime ECL credit impaired	Total	Stage 1 12-month ECL	Stage 2 ECL not Credit impaired	Stage 3 Lifetime ECL credit impaired	Total
Balance at the beginning of the year	(161)	-	-	(161)	(138)	-	-	(138)
Charge during the year	(59)	-	-	(59)	(23)	-	-	(23)
	(220)	-	-	(220)	(161)	-	-	(161)

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7. INVESTMENTS (continued)

Details on investment income for the year are as follows:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Commission and income on financial assets at fair value						
Commission income on investments at fair value	134,086	113,037	247,123	58,614	73,764	132,378
Dividend income on investments at fair value	2,068	32,680	34,748	2,473	27,216	29,689
Gains / (losses) on investments at fair value	1,579	(21,353)	(19,774)	11,542	(10,184)	1,358
	<u>137,733</u>	<u>124,364</u>	<u>262,097</u>	<u>72,629</u>	<u>90,796</u>	<u>163,425</u>
Commission and income on financial assets at amortised cost and term deposits						
Commission income on investments at amortised cost	312,478	96,773	409,251	233,985	116,423	350,408
Gains on investments at amortised cost	-	436	436	-	228	228
	<u>312,478</u>	<u>97,209</u>	<u>409,687</u>	<u>233,985</u>	<u>116,651</u>	<u>350,636</u>

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8. TERM DEPOSITS

The term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structure with a small allocation in Mudaraba structure. They are mostly denominated in Saudi Arabian Riyals and have an original maturity from more than three-month to more than one year and yield financial income at rates ranging from 2.20% to 6.40% per annum (2023: 1.55% to 6.40% per annum). The movements in term deposits during the year ended 31 December 2024 as follows:

	31 December 2024		
	Insurance operations	Shareholders' Operations	Total
Balance at the beginning of the year			
before loss allowance	5,358,428	1,866,544	7,224,972
Placed during the year	2,223,220	571,628	2,794,848
Matured during the year	(3,053,521)	(1,264,030)	(4,317,551)
Commission income earned during the year	261,536	78,160	339,696
Less: loss allowance	(1,128)	(295)	(1,423)
	<u>4,788,535</u>	<u>1,252,007</u>	<u>6,040,542</u>
	31 December 2023		
	Insurance operations	Shareholders' operations	Total
Balance at the beginning of the year			
before loss allowance	4,753,100	1,655,389	6,408,489
Placed during the year	3,534,871	800,000	4,334,871
Matured during the year	(3,127,255)	(677,545)	(3,804,800)
Commission income earned during the year	197,712	88,700	286,412
Less: loss allowance	(1,460)	(501)	(1,961)
	<u>5,356,968</u>	<u>1,866,043</u>	<u>7,223,011</u>

Movement in loss allowance for term deposits for the year is as follows:

	31 December 2024		
	Insurance operations	Shareholders' Operations	Total
Balance at the beginning of the year	(1,460)	(501)	(1,961)
Reversal made during the year	332	206	538
Balance at end of the year	<u>(1,128)</u>	<u>(295)</u>	<u>(1,423)</u>
	31 December 2023		
	Insurance operations	Shareholders' Operations	Total
Balance at the beginning of the year	(1,217)	(424)	(1,641)
Provision made during the year	(243)	(77)	(320)
Balance at end of the year	<u>(1,460)</u>	<u>(501)</u>	<u>(1,961)</u>

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9. FIXTURES, FURNITURE AND EQUIPMENT & RIGHT OF USE ASSETS

9.1 FIXTURES, FURNITURE AND EQUIPMENT

	Office, furniture, and fixtures	Computer equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
31 December 2024						
Cost:						
At 1 January 2024	89,055	63,992	404	60,231	3,805	217,487
Additions during the year	464	7,238	-	43	20,926	28,671
Transferred during the year	1,306	1,712	439	2,482	(5,939)	-
Disposals during the year	(11,587)	(346)	(323)	(5,858)	-	(18,114)
At 31 December 2024	<u>79,238</u>	<u>72,596</u>	<u>520</u>	<u>56,898</u>	<u>18,792</u>	<u>228,044</u>
Accumulated depreciation:						
At 1 January 2024	(77,187)	(48,790)	(404)	(21,227)	-	(147,608)
Charge for the year	(3,757)	(8,371)	(9)	(6,284)	-	(18,421)
Disposal during the year	10,334	346	323	3,368	-	14,371
At 31 December 2024	<u>(70,610)</u>	<u>(56,815)</u>	<u>(90)</u>	<u>(24,143)</u>	<u>-</u>	<u>(151,658)</u>
Net book value:						
At 31 December 2024	<u>8,628</u>	<u>15,781</u>	<u>430</u>	<u>32,755</u>	<u>18,792</u>	<u>76,386</u>
	Office, furniture, and fixtures	Computer Equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
31 December 2023						
Cost:						
At 1 January 2023	87,538	69,056	404	40,900	7,021	204,919
Additions during the year	39	21	-	-	22,345	22,405
Transferred during the year	1,639	4,591	-	19,331	(25,561)	-
Disposals during the year	(161)	(9,676)	-	-	-	(9,837)
At 31 December 2023	<u>89,055</u>	<u>63,992</u>	<u>404</u>	<u>60,231</u>	<u>3,805</u>	<u>217,487</u>
Accumulated depreciation:						
At 1 January 2023	(72,924)	(52,070)	(363)	(15,919)	-	(141,276)
Charge for the year	(4,424)	(6,396)	(41)	(5,308)	-	(16,169)
Disposal during the year	161	9,676	-	-	-	9,837
At 31 December 2023	<u>(77,187)</u>	<u>(48,790)</u>	<u>(404)</u>	<u>(21,227)</u>	<u>-</u>	<u>(147,608)</u>
Net book value:						
At 31 December 2023	<u>11,868</u>	<u>15,202</u>	<u>-</u>	<u>39,004</u>	<u>3,805</u>	<u>69,879</u>

9.2 RIGHT-OF-USE ASSETS

The movement of right-of-use assets, which mainly include buildings are as follows:

	31 December 2024	31 December 2023
At 1 January	143,388	165,947
Additions during the year	32,602	-
Termination of contract	(15,339)	-
Changes due to modification	(8,078)	-
Amortisation during the year	(21,045)	(22,559)
At 31 December	<u>131,528</u>	<u>143,388</u>

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9. FIXTURES, FURNITURE AND EQUIPMENT & RIGHT OF USE ASSETS (continued)

9.2 RIGHT-OF-USE ASSETS (continued)

The Group leases various buildings for offices. There is no non-lease components in the contracts. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. For leases of office buildings, management concluded that it was reasonably certain to extend the lease beyond one year, taking into account the leasehold improvements in the premises, historical lease durations and the costs and business disruption required to change premises.

10. INTANGIBLE ASSETS

	Software	Capital work in progress	Total
	31 December 2024		
Cost:			
At 1 January 2024	189,431	18,097	207,528
Additions during the year	3,726	20,532	24,258
Transfers during the year	33,565	(33,565)	-
Disposals during the year	-	-	-
At 31 December 2024	<u>226,722</u>	<u>5,064</u>	<u>231,786</u>
Accumulated amortisation:			
At 1 January 2024	(140,292)	-	(140,292)
Charge for the year	(19,369)	-	(19,369)
Disposals during the year	-	-	-
At 31 December 2024	<u>(159,661)</u>	<u>-</u>	<u>(159,661)</u>
Net book value:			
At 31 December 2024	<u>67,061</u>	<u>5,064</u>	<u>72,125</u>
	Software	Capital work in progress	Total
	31 December 2023		
Cost:			
At 1 January 2023	179,209	9,819	189,028
Additions during the year	2,377	16,475	18,852
Transfers during the year	8,197	(8,197)	-
Disposals during the year	(352)	-	(352)
At 31 December 2023	<u>189,431</u>	<u>18,097</u>	<u>207,528</u>
Accumulated amortisation:			
At 1 January 2023	(123,615)	-	(123,615)
Charge for the year	(17,029)	-	(17,029)
Disposals during the year	352	-	352
At 31 December 2023	<u>(140,292)</u>	<u>-</u>	<u>(140,292)</u>
Net book value:			
At 31 December 2023	<u>49,139</u>	<u>18,097</u>	<u>67,236</u>

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11. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
VAT receivables	232,016	420	232,436	335,302	-	335,302
Prepaid expenses	64,385	1,981	66,366	79,133	-	79,133
Fee receivable	-	41,549	41,549	-	17,548	17,548
Accrued income	33,778	31,665	65,443	18,171	15,950	34,121
Other receivables	3,755	13,395	17,150	6,777	2,594	9,371
	333,934	89,010	422,944	439,383	36,092	475,475

12. STATUTORY DEPOSIT

As required by the Regulations, the Group deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 150 million, in a bank designated by the Regulator. Accrued income on this deposit is payable to the Regulator amounting to SR 4.38 million (31 December 2023: SR 8.69 million) and this deposit cannot be withdrawn without approval from the Regulator. As requested by the Regulator, the Group has released the accrued income on statutory deposit to Regulator up to 30 June 2024 amounting to SR 21.84 million. The statutory deposit is shown on the consolidated statement of financial position net of impairment allowance.

13. FIDUCIARY ASSETS

During the year ended 31 December 2018, after obtaining the Regulator's approvals, the Group entered into a Third-Party Administration agreement (TPA) with a customer under which the Group facilitates healthcare services to Customer's employees with specific terms and conditions. The agreement is effective from 1 March 2018. The services are remunerated against administration fees.

In order to fulfil the commitment relating to this agreement, the Group receives funds in advance from the customer to settle anticipated claims from medical service providers. As the Group acts as an agent, the relevant bank balance and related payables at the reporting date, are excluded from the consolidated statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 224 million as of 31 December 2024 (31 December 2023: SR 424 million).

14. COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

- The Group is subject to legal proceedings in the ordinary course of business. There was no material change in the status of legal proceedings as of 31 December 2024 as compared to 31 December 2023.
- As of 31 December 2024, total letters of guarantee issued by banks amounted to SR 261 million (31 December 2023: SR 161 million).
- Refer to Note 21 for zakat and income tax related matters.

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15. ACCRUED AND OTHER LIABILITIES AND LEASE LIABILITY

15.1 Accrued and other liabilities comprise of the following:

	31 December 2024			31 December 2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
VAT payable	176,641	-	176,641	178,784	-	178,784
VAT payable to providers	369,255	-	369,255	472,518	-	472,518
Accrued expenses	43,704	23,634	67,338	34,944	11,085	46,029
Other liabilities	38,162	-	38,162	37,528	-	37,528
	627,762	23,634	651,396	723,774	11,085	734,859

15.2 Lease liability

As of 31 December 2024, lease liability amounted SR 145 million (2023: SR 166 million). Below is the movement during the year:

	31 December 2024	31 December 2023
Balance at the beginning of the year	166,066	184,682
Finance cost	4,911	6,065
Additions during the year	30,405	-
Termination of contract	(25,813)	-
Changes due to modification	(8,556)	-
Lease payments (total cash outflows)	(22,196)	(24,681)
	144,817	166,066

16. TRADEMARK FEES

During 2010, the Group entered into an agreement with a related party for obtaining a license to use the trademark (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trademark fee is payable at different rates linked to the results of the Group, subject to a maximum of threshold. Accordingly, a sum of SR 44.5 million (2023: SR 39.2 million) payable to a related party has been accrued for during the year (see note 20).

17. EMPLOYEES' END OF SERVICE BENEFITS

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

17.1 Movement of end-of-service benefits

	2024	2023
Balance at the beginning of the year	186,487	154,054
Consolidated statement of income		
Current service costs	25,968	24,552
Finance costs	8,077	7,012
Consolidated statement of comprehensive income		
Actuarial (gains) / losses	(6,125)	6,655
Benefits paid during the year	(22,531)	(5,786)
Balance at the end of the year	191,876	186,487

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17. EMPLOYEES' END OF SERVICE BENEFITS (continued)

17.2 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Group for the valuation of end-of-service benefits:

	2024	2023
Valuation discount rate	5.35%	4.75%
Expected rate of increase in salary level across different age bands	4.50%	4.50%
Employee turnover rate	12.35%	8.95%
Mortality rate	0.06%	0.06%

The impact of changes in sensitivities on present value of employees' end-of-service ((Increase) / Decrease) benefits is as follows:

	2024	2023
Valuation discount rate		
- Increase by 0.5%	7,125	7,265
- Decrease by 0.5%	(7,608)	(7,774)
Expected rate of increase in salary level across different age bands		
- Increase by 1%	(15,785)	(16,048)
- Decrease by 1%	14,091	14,277
Mortality rate		
- Increase by 50%	(80)	(48)
- Decrease by 50%	81	49
Employee turnover		
- Increase by 20%	827	1,408
- Decrease by 20%	(697)	(1,320)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the consolidated statement of financial position.

The average duration of the employees' end-of-service benefits at the end of the reporting period is 8.9 years (2023: 9.2 years). The total expected payments of the liability, undiscounted, amount to SR 292 million (2023: SR 258 million) out of which SR 28.8 million (2023: SR 24.2 million) are expected to be paid within the next 12 months.

18. 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 Group 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.

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18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 (financial assets and liabilities at amortised cost) as the carrying amount is a reasonable approximation to fair value except for certain term deposits and sukuks at amortized cost for which the difference between carrying amount and the fair value is not material to the consolidate financial statements, as these are either short-term in nature or carry interest rates which are based on prevalent market interest rates.

	Fair value			Total	Carrying value
	Level 1	Level 2	Level 3		
31 December 2024					
Financial assets measured at fair value:					
- Investment at FVTPL	12,365	372,446	64,370	449,181	449,181
- Investment at FVOCI – Debt	4,412,442	150,000	-	4,562,442	4,562,442
- Investment at FVOCI – Equity	926,822	648,018	-	1,574,840	1,574,840
	<u>5,351,629</u>	<u>1,170,464</u>	<u>64,370</u>	<u>6,586,463</u>	<u>6,586,463</u>

	Fair value			Total	Carrying value
	Level 1	Level 2	Level 3		
31 December 2023					
Financial assets measured at fair value:					
- Investment at FVTPL	17,194	392,780	58,715	468,689	468,689
- Investment at FVOCI – Debt	2,733,619	522,044	-	3,255,663	3,255,663
- Investment at FVOCI – Equity	522,405	-	-	522,405	522,405
	<u>3,273,218</u>	<u>914,824</u>	<u>58,715</u>	<u>4,246,757</u>	<u>4,246,757</u>

c) Measurement of fair value

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair value at 31 December 2024 and 31 December 2023, as well as the significant unobservable inputs used. The fair value used for valuation of Level 2 Sukuks and mutual funds are based on prices quoted on reliable and third-party sources.

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Mutual funds	Mutual funds classified as Level 3 are fair valued based on the latest available NAV communicated by the fund manager.	Fair value of underlying assets	The estimated fair value will increase / decrease directly in line with the change in fair value of underlying assets.

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18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value (continued)

Movement of level 3 instruments:

	31 December 2024	31 December 2023
Opening fair value	58,715	71,132
Additions in level 3 investments	10,822	-
Fair value loss – net*	(5,167)	(12,417)
Closing fair value	64,370	58,715

*The fair value loss has been recognized within ‘Commission and income on financial assets at fair value’ in the consolidated statement of income.

Sensitivity analysis:

The impact of change in net assets value reported in level 3 on net income and total equity is as follows:

	31 December 2024	31 December 2023
+/- 5% change in net assets value	+/- 3,219	+/- 2,936

19. OPERATING SEGMENTS

The Group only issues short-term insurance contracts for providing health care services (‘medical insurance’). The Group operates as a mono-line insurer, operating in the Private Medical Insurance (PMI) business. All the insurance operations of the Group are carried out in the Kingdom of Saudi Arabia. For management reporting purposes, the operations are monitored in two groups that are Corporate and Small and Medium Enterprises & Others (SME & Others). Corporate segment/customer represents members of large corporations, and all others are considered as SME & Others. Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments in line with the strategic decisions.

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19. OPERATING SEGMENTS (continued)

Operating segments do not include shareholders' operations of the Group. Segment results do not include investment, other operating expenses, other revenues and other costs. Segment assets and liabilities only include the insurance and reinsurance contract liabilities and assets while the other accounts are not allocated. Consistent with the Group's internal reporting, operating segments have been approved by the management in respect of the Group's activities, assets and liabilities as stated below:

	31 December 2024		
	Corporate	SME & Others	Total
Operating segments			
<u>ASSETS</u>			
Asset for incurred claims	56,902	-	56,902
Asset for remaining coverage	41,276	-	41,276
Reinsurance contract assets	98,178	-	98,178
Unallocated assets			15,476,902
Total assets			15,575,080
<u>LIABILITIES</u>			
Liability for incurred claims	3,993,158	556,157	4,549,315
Liability for remaining coverage	3,612,356	843,142	4,455,498
Insurance contract liabilities	7,605,514	1,399,299	9,004,813
Unallocated liabilities			1,452,270
Total liabilities			10,457,083
	31 December 2023		
	Corporate	SME & Others	Total
Operating segments			
<u>ASSETS</u>			
Asset for incurred claims	52,705	-	52,705
Asset for remaining coverage	21,385	-	21,385
Reinsurance contract assets	74,090	-	74,090
Unallocated assets			14,364,261
Total assets			14,438,351
<u>LIABILITIES</u>			
Liability for incurred claims	3,303,572	451,394	3,754,966
Liability for remaining coverage	3,793,448	718,782	4,512,230
Insurance contract liabilities	7,097,020	1,170,176	8,267,196
Unallocated liabilities			1,495,626
Total liabilities			9,762,822

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19. OPERATING SEGMENTS (continued)

	31 December 2024			31 December 2023		
	Corporate	SME & Others	Total	Corporate	SME & Others	Total
Insurance revenue	15,943,690	2,157,827	18,101,517	13,917,361	1,970,354	15,887,715
Insurance service expense	(15,199,012)	(1,834,448)	(17,033,460)	(13,331,991)	(1,662,441)	(14,994,432)
Net expenses from reinsurance contracts held	(69,961)	-	(69,961)	(28,246)	-	(28,246)
Net insurance service result	674,717	323,379	998,096	557,124	307,913	865,037
Commission and income on financial assets at amortised cost		409,687				350,636
Commission and income on financial assets at fair value		262,097				163,425
Net impairment reversal / (loss) on financial assets		590				(785)
Net investment results		672,374				513,276
Net insurance and investment results		1,670,470				1,378,313
Other operating expenses		(348,648)				(316,813)
Other revenue		90,386				92,065
Other costs		(39,582)				(36,886)
Income attributed to the shareholders before zakat and income tax		1,372,626				1,116,679
Zakat charge		(77,064)				(80,237)
Income tax charge		(129,560)				(96,279)
NET INCOME ATTRIBUTED TO SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		1,166,002				940,163

The details of gross written premium are as follows:

	31 December 2024	31 December 2023
Corporates	13,952,465	12,452,048
Medium enterprises	3,052,320	2,946,431
Small enterprises	1,186,143	1,092,783
Micro enterprises	158,922	135,276
Individuals	44,282	42,206
	18,394,132	16,668,744

Insurance revenue of SR 18.1 billion (2023: SR 15.9 billion) from corporate and SME & others is calculated through adjustment of SR 0.3 billion (2023: SR 0.8 billion) to corporate and SME & others accounting for the remaining coverage period and the expected premium receipts which reconcile to the gross written premium of SR 18.4 billion (2023: SR 16.7 billion). Refer to note 2(a) for more details.

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20. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, Board members and key management personnel of the Group, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Contract pricing policies and terms are approved by the Group's management or where required and applicable the Group's Board of Directors. The due from and due to balances of related parties are unsecured, interest free and repayable in cash on demand. Key management personnel are those persons, including executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The following are the details of the major related party transactions during the period and their related balances:

Related party	Nature of transaction	Amount of transactions during the year ended		Receivable/(payable)	
		income / (expense)		balance as at	
		31 December 2024	31 December 2023	31 December 2024	31 December 2023
Balances included in insurance contract liabilities					
Shareholders and entities with common directorship*	Premium issued	426,456	505,412	806	13,882
Shareholders and entities with common directorship*	Claims incurred	(378,074)	(447,706)	(69,755)	(21,055)
Shareholder*	Medical costs charged by providers	(278,880)	(288,064)	(42,189)	(20,418)
				(111,138)	(27,591)
Balances included in reinsurance contract assets					
Shareholders	Reinsurance premium ceded	(280,573)	(175,533)	(76,375)	(50,674)
Balances included in due (to)/from Related Parties					
Shareholders	Expenses recharged (to) / from a related party-net	(627)	(1,720)	(1,066)	(788)
Shareholders	Tax equalization	35,129	-	-	-
Shareholders	Board and committee members fees	(1,365)	(920)	(1,365)	(920)
Bupa Middle East Holdings Two W.L.L. (Common directorship)*	Trademark fee	(44,513)	(39,227)	(44,513)	(39,227)
				(46,944)	(40,935)

*The transactions and balances against the entities with common directorship, common key management personnel and major shareholder have been presented in accordance with the local laws and regulations.

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20. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

a. Compensation to key management personnel

	31 December 2024	31 December 2023
Short-term benefits	35,946	42,284
Long-term benefits	2,424	1,949
Share based payment transactions	28,433	14,942
	66,803	59,175

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

b. Board of Directors' remuneration and related expenses

	31 December 2024	31 December 2023
Board of directors' remuneration	6,013	3,800
Board attendance fees	560	457
Other board and sub-committees expenses	3,278	1,944
	9,851	6,201

21. ZAKAT AND INCOME TAX

Breakup of zakat and income tax charge for the year ended 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Current zakat charge	77,064	80,237
Current tax charge	124,521	94,377
Deferred tax charge (note 21.a)	5,039	1,902
	129,560	96,279
	206,624	176,516

a) The reconciliation of deferred tax is as follows:

	31 December 2024	31 December 2023
Opening deferred tax asset	38,609	40,511
Deferred tax charge	(5,039)	(1,902)
	33,570	38,609

The Group has recognised a deferred tax asset as it is probable that future taxable profits will be available and the credits can be utilised. The deferred tax arises mainly on provision for doubtful premium receivables and end of service benefits.

Movements in the Zakat and income tax accrued during the year ended 31 December 2024 and year ended 31 December 2023 respectively are as follows:

	Zakat payable	Income tax Payable	Total 31 December 2024
Balance at beginning of the year	329,078	29,511	358,589
Provided during the year	82,567	124,521	207,088
Adjustment for prior years	(5,503)	-	(5,503)
Payments during the year	(49,893)	(97,422)	(147,315)
Balance at end of the year	356,249	56,610	412,859

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21. ZAKAT AND INCOME TAX (continued)

a) The reconciliation of deferred tax is as follows (continued):

	Zakat payable	Income tax Payable	Total 31 December 2023
Balance at beginning of the year	264,583	61,983	326,566
Provided during the year	80,237	94,377	174,614
Payments during the year	(15,742)	(126,849)	(142,591)
Balance at end of the year	329,078	29,511	358,589

Breakup of income tax for the year ended 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Accounting profit before tax and zakat	1,546,707	1,116,679
Less: Income subject to zakat	(877,756)	(633,715)
Accounting profit for non-Saudi shareholders	668,951	482,964
Tax effects of		
- Non-tax deductible expenses/reversal	(46,346)	(10,979)
- Prior year adjustments	-	(100)
Adjusted profit /loss for tax base	622,605	471,885
Corporate tax at 20%	124,521	94,377

Status of assessments

Bupa Arabia For Cooperative Insurance Company

The Company has filed its zakat and income tax returns with the ZATCA for the financial years up to and including 2023.

The Company has finalized its zakat and income tax returns with ZATCA for the fiscal years 2008 through 2018. For the year 2017, the Company settled the assessment during the year ended 31 December 2024 resulting in a reversal of excess provision amounting to SR 5.5 million.

The Company received the final assessments for the years 2019 and 2020, amounting to SR 36.7 million and SR 41 million, respectively. The Company has filed an appeal to the GSTC with the Appeal Committee for Tax Violations and Disputes which is currently under review. The management believes that these assessments have been appropriately provisioned.

The Company has yet to receive the final assessments for the years ended December 31, 2021, 2022, and 2023.

Bupa Arabia For Third Party Administration

The Company has filed its zakat and income tax returns for the financial years up to and including the year 2023 with ZATCA. The return for the years are still under ZATCA's review.

Health Horizon Medical Care Company

The Company has filed its zakat and income tax return for the financial year of 2023 with ZATCA. The return for this year is still under ZATCA's review.

22. SHARE CAPITAL

The authorised, issued and paid-up capital of the Group is SR 1,500 million at 31 December 2024 (31 December 2023: SR 1,500 million) consisting of 150 million shares (31 December 2023: 150 million shares) of SR 10 each. Shareholding structure of the Group is as below:

	31 December 2024		31 December 2023	
	Holding percentage	Amount	Holding percentage	Amount
Major shareholders	48.3%	723,825	48.3%	723,825
General Public	51.7%	776,175	51.7%	776,175
	100%	1,500,000	100%	1,500,000

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22. SHARE CAPITAL (continued)

The major shareholders of the Group along with their holding percentages are as below:

	31 December 2024		31 December 2023	
	Holding Percentage	SR'000	Holding Percentage	SR'000
Bupa Investment Oversees Limited	43.3%	648,750	43.3%	648,750
Nazer Group Company Limited	5.0%	75,075	5.0%	75,075
	48.3%	723,825	48.3%	723,825

The total shareholders' equity as of 31 December 2024 for Saudi shareholders is SR 2,964 million (31 December 2023: SR 2,663 million) and foreign shareholder is SR 2,188 million (31 December 2023: SR 1,994 million) after incorporating their respective shareholding percentage and impact of zakat, income tax, reimbursement and other adjustments.

On 2 May 2024, the Board of Directors of the Company had recommended a dividend of SR 4.0 per share for the year ended 31 December 2023 (SR 3.6 per share for the year ended 31 December 2022). The dividends were approved by the shareholders in the Extraordinary General Assembly meeting held on 30 June 2024 and paid subsequently in July 2024.

23. STATUTORY RESERVE

As required by the 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 Group carries out this transfer on an annual basis at 31 December. As at 31 December 2024, SR 1,500 million (31 December 2023: SR 1,353 million) had been set aside as a statutory reserve, equal to 100% (31 December 2023: 90.2%) of the paid-up share capital.

24. SHARE BASED PAYMENTS

The Group established a share-based compensation scheme for its key executives and senior management that entitles them to Bupa Arabia shares subject to successfully meeting certain service and performance conditions. Under the share-based compensation scheme, the Group manages various plans. Significant features of these plans are as follows:

Maturity dates	Between March 2025 and March 2029
Number of outstanding plans	4 Plans
Vesting period	3-5 Years
Method of settlement	Equity
Fair value per share on grant date adjusted for bonus shares	Average price SR 206.3

	31 December 2024		31 December 2023	
	Average price	Number of shares	Average price	Number of shares
As at 1 January	131.5	495,070	101.6	770,162
Granted during the year	226.7	516,478	206.1	91,378
Delivered during the year	119.9	(306,280)	87.2	(366,470)
As at 31 December	206.3	705,268	131.5	495,070

These shares are granted only under a service/performance condition with no market condition associated with them. Total amount of expense recognized in consolidated statement of income during the year ended December 31, 2024 in respect of this scheme was SR 36.9 million (2023: SR 26.1 million).

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25. OTHER OPERATING EXPENSES

	2024	2023
Employees' costs	192,685	162,604
Marketing expenses	44,574	35,460
Legal and professional fees	35,519	32,805
Rents, IT and maintenance costs	26,281	22,137
Board expenses	9,851	6,201
Depreciation and amortisation	8,191	9,904
Travelling and other expenses	6,790	6,450
Finance cost on leases	4,911	6,065
Communication expenses	1,566	1,501
Other expenses	18,280	33,686
Total	348,648	316,813

25.1 Insurance acquisition cash flows amortisation consists of policy acquisition cost amounting to SR 911 million (2023: SR 747 million). Other directly attributable expenses relate to expenses incurred in the fulfilment of the insurance contract amounting to SR 936 million (2023: SR 756 million). This consists of employees' cost of SR 549 million (2023: 441), income attributable to insurance operations of SR 138 million (2023: SR 97 million), trademark fees of SR 45 million (2023: SR 39 million), rent, IT and maintenance cost of SR 84 million (2023: SR 59 million), depreciation and amortization of SR 50 million (2023: SR 46 million) and other expenses of SR 70 million (2023: SR 74 million).

25.2 Other revenue earned by the subsidiary amounted to SR 90.39 million (2023: 92.06 million). The nature of "Other costs", as disclosed on the consolidated statement of income primarily represents direct and indirect manpower cost, and any other expense. Other costs were incurred in the provision of claims management and handling services for a third party.

25.3 Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiaries for the year ended 31 December 2024 amounts to SR 2.89 million (2023: SR 3.21 million). Auditors' remuneration for the review of the Group's consolidated financial information during the year ended 31 December 2024 amounts to SR 1.23 million (2023: SR 0.91 million). Fee for other statutory and related services provided by the auditors to the Group amounts to SR 0.1 million (2023: SR 0.50 million).

26. CAPITAL MANAGEMENT

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

The Group's regulatory capital is financed solely by share capital provided by shareholders amounting to SR 1,500 million.

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

- Minimum Capital Requirement.
- Premium Solvency Margin
- Claims Solvency Margin

The Group 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 Group's activities. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue shares. In the opinion of the Board of Directors, the Group has fully complied with the regulatory capital requirements at each reporting date presented.

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27. EARNINGS PER SHARE

The basic earnings per share have been calculated by dividing 'net income attributed to the shareholders after zakat and income tax' amounting to SR 1,166 million (2023: SR 940 million) for the year by the weighted average number of ordinary shares issued and outstanding amounting to 150 million shares (2023: 150 million shares) adjusted for treasury shares amounting to 705 thousand (2023: 495 thousand shares) at year end.

The diluted earnings per share have been calculated by dividing 'net income attributed to the shareholders after zakat and income tax' amounting to SR 1,166 million (2023: SR 940 million) for the year by the weighted average number of ordinary shares issued and outstanding amounting to 150 million shares (2023: 150 million shares) adjusted for the effects of employee shares scheme.

28. RISK MANAGEMENT

The Group has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Adhering to this structure, the Group aims to meet its obligations to policyholders and other customers and creditors, to manage its capital efficiently, and to comply with applicable laws and regulations. The Group's Risk Committee has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Committee is responsible for defining, installing and monitoring the risk management organisation in order to ensure that its control systems are effective. The Risk Committee approves all risk management policies, as well as the quantitative and qualitative elements of the Group's risk appetite and tolerance framework. The risk faced by the Group are broadly categorised into underwriting risk (insurance risk and expense risk) and financial risk.

a) Insurance risk

The Group provides short-term health insurance contracts in Saudi Arabia. Accordingly, the main insurance risk within the Group is that there are no sufficient reserves available to cover the liabilities associated with the insurance contracts issued. Actual claims may differ from the estimated ultimate claims. The Group seeks to manage this as follows:

Estimate of present value of cash flows and risk adjustment for non-financial risk

- Through close monitoring of the claims' trend and payments' pattern to ensure that sufficient reserves are available to cover claim liabilities. The Group also has an external actuary to perform quarterly independent reviews of the reserves adequacy. Estimate of present value of cash flows and risk adjustment for non-financial risk, which are key components of the Group's insurance contract liabilities are estimated amounts of the outstanding claims, incurred but not reported claims ("IBNR"), claims handling provisions and risk adjustment for non-financial risk. These reserves do not represent exact calculations but rather expectations based on historical claims' trend (frequency and severity), payments' pattern, medical inflation, members' behaviour, seasonality and other factors. The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the insurance contracts that it issues.
- The Group has a large insurance portfolio resulting in stable claims development patterns which relatively reduces the risk of fluctuations in the estimated ultimate claims. The short-tailed nature of the business is associated with higher consistency of the reserve estimates.
- The Group continually reviews the adequacy of claims reserves by conducting back-testing analysis, assessing the sufficiency of data, monitoring claims backlogs and settlement patterns. In addition, the external actuary runs independent valuation models after due reconciliation with consolidated financial statements to validate reserve adequacy.

Reinsurance

- The Group has a reinsurance arrangement to reduce its exposure through transfer of risk. During the years ended 31 December 2024 and 2023, the Group had quota share reinsurance arrangement for certain group of contracts to reduce its exposure through partial transfer of insurance risk. The reinsurance expense represents a minimal margin of the overall insurance revenue.
- The reinsurers selected met Regulator's minimum acceptable rating of BBB from a reputable credit agency.
- Reinsurance ceded business does not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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28. RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Pricing

- The pricing team follows the Group's underwriting guidelines (approved by the Board of Directors) in setting premiums taking into consideration credible claims experiences for both new business and renewals or medical declarations.

Managing the concentration of insurance risk

- The insurance risk exposure related to policyholders is mainly concentrated in Saudi Arabia. However, through its underwriting strategy, the Group ensures that the portfolio is well diversified. Its business is proportionally spread across all regions in the Saudi Arabia, and the Group targets both corporate and retail business. The insurance portfolio is not concentrated in a specific benefit level (diverse medical providers, different deductibles, annual limits and sub-limits).

Process used to decide on assumptions

- Assumptions used in determining estimate of present value of cash flows are based on the best estimate. Ultimate claims are estimated using historical claim trends adjusted for inflation, seasonality, membership growth and any other external or internal factors that may have impact on claim costs. Given the nature of the business, the Group may still be exposed to risk of insufficiency of claim reserves for which actual claim cost may turn out to be higher than the initial estimated ultimate claims.
- The estimation of present value of future cash flows related to incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the present value of future cash flows related to reported claims which are received but not yet settled with the providers. For the case of present value of future cash flows related to reported claims, the Group uses payment information of settled batches with providers to estimate the expected settlement amounts of recently submitted batches, while it uses mainly pre-authorization data to estimate present value of future cash flows related to IBNR. The Group seeks to avoid inadequate reserve levels by adopting established processes in determining claim reserve and using updated information from both claims received and pre-authorization data.

b) Sensitivity analysis

The Group believes that the claim liabilities under insurance contracts outstanding at year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the consolidated financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

	<u>31 December 2024</u>	<u>31 December 2023</u>
Impact on equity, insurance contract liabilities and profit or loss due to change in claims ratio		
5% Increase	(902,014)	(792,129)
5% Decrease	902,014	792,129
Impact on equity, insurance contract liabilities and profit or loss due to change in risk adjustment for non-financial risk		
5% Increase	(56,443)	(46,812)
5% Decrease	24,945	20,689

c) Expense risk

Expense risk is the risk of unexpected increases in the administrative costs associated with the servicing of a contract, rather than in the costs associated with insured events.

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28. RISK MANAGEMENT (continued)

Financial risk

d) Market risk

Market risk refers to the potential impact of various market dynamics on the fair value or the expected cash flows of financial instruments. The Group adopts asset allocation guidelines and diversification limits on asset classes, geographies, currencies and securities to ensure that market risk is contained and kept to minimal levels.

The Board of Directors sets the overall risk appetite to a prudent level that does not impact the Group's operating results. The management prepares monthly and quarterly reports, highlighting deployment activities and exposure limits to ensure that appropriate monitoring and compliance with the approved guidelines. Management performs continuous assessment of developments in relevant markets to ensure that market risk is monitored and mitigated at the asset class and securities levels.

Market risk comprises three types: interest rate risk, price risk and currency risk.

i) Interest rate risk

Interest rate risk is the potential change in the fair value of financial instruments and expected cash flows as a result of changes in interest rates. Management constantly monitors developments in global and local interest rates and accordingly allocates the durations of its term deposits and sukuk investments. Investments in term deposits and sukuk instruments have various maturities in order to maximise investment returns while ensuring that liquidity requirements are continuously met. Details of maturities of interest-bearing securities using discounted cashflows as at 31 December are as follows:

	2024				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
Term deposits	319,095	1,338,194	2,767,765	1,615,488	6,040,542
Financial assets at amortised cost	-	-	-	935,811	935,811
Financial assets at fair value - Sukuks	19,774	42,262	408,460	4,091,946	4,562,442
	<u>338,869</u>	<u>1,380,456</u>	<u>3,176,225</u>	<u>6,643,245</u>	<u>11,538,795</u>
	2023				
	Less than 3 months	3 months to 1 year	1 year to 3 years	More than 3 years	Total
Term deposits	1,363,608	2,308,787	1,873,512	1,677,104	7,223,011
Financial assets at amortised cost	-	-	-	587,360	587,360
Financial assets at fair value - Sukuks	93,728	61,729	323,367	2,823,897	3,302,721
	<u>1,457,336</u>	<u>2,370,516</u>	<u>2,196,879</u>	<u>5,088,361</u>	<u>11,113,092</u>

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28. RISK MANAGEMENT (continued)

d) Market risk (continued)

ii) Price risk

Price risk is the potential change in the fair value of financial instruments as a result of instrument-specific developments or systemic factors affecting the overall market in which the instrument is being traded.

The total size of investments which are exposed to market price risk is SR 2,024 million (2023: SR 944 million). Underlying equities are susceptible to market price risk arising from uncertainty about the future value of invested securities. The Group manages this risk conducting thorough due diligence on each instrument prior to investing as well as maintaining exposure limits guidelines to minimise the potential impact of marking to market on the overall portfolio.

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

The potential impact of a 10% increase or decrease in the market prices of investments carried at fair value through income statement on Group's profit would be as follows:

	<u>Fair value change</u>	<u>Effect on Group's profit SR'000</u>
2024	± 10%	± 44,918
2023	± 10%	± 42,163

The potential impact of a 10% increase or decrease in the market prices of investments carried at fair value through other comprehensive income on Group's total comprehensive income would be as follows:

	<u>Fair value change</u>	<u>Effect on Group's equity SR'000</u>
2024	± 10%	± 157,484
2023	± 10%	± 52,241

iii) Currency risk

Currency risk is the potential fluctuation of the value of a financial instrument due to changes in foreign exchange rates. All Group's transactions are in Saudi Arabian Riyals and US Dollar. Given the peg of Saudi Arabian Riyals and US Dollars, foreign exchange risk is minimal.

e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group seeks to manage its credit risk with respect to customers by following the Group's credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Group's exposure to bad debts. The management estimates specific impairment provisions on a case by case basis. In addition to specific provisions, the Group also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the future premiums cashflow. The Group seeks to limit its credit risk with respect to other counterparties by placing term deposits and investments with reputable financial institutions. The Group enters into reinsurance contracts with recognised, creditworthy third parties (minimum BBB). The net exposure to credit risk on reinsurance contract assets is SR Nil.

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28. RISK MANAGEMENT (continued)

e) Credit risk (continued)

The following table shows the maximum exposure to credit risk by class of financial assets and assets relating to insurance operations:

	2024	2023
Cash and cash equivalents	925,190	1,255,896
Other receivables and accrued income	356,578	396,342
Term deposits	6,040,542	7,223,011
Financial assets at amortised cost	935,811	587,360
Financial assets at fair value	4,562,442	3,302,721
Statutory deposit	149,965	149,960
Accrued income on statutory deposit	4,378	8,690
	12,974,906	12,923,980

Additionally, as at December 31, 2024, the maximum exposure to credit risk from insurance contracts is SR 2,727 million (2023: 2,199 million)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties. Investment grade ratings refers to companies with sound credit standing of AAA to BBB- and/or Aaa to Baa3 (as per a reputable credit agency). Ratings below the mentioned threshold are considered sub-investment grade with a higher default risk.

	2024		
	Non-investment grade		
	Investment grade	Not impaired	Impaired
Cash and cash equivalents	925,190	-	-
Other receivables and accrued income	-	356,578	-
Term deposits	6,040,542	-	-
Financial assets at amortised cost	935,811	-	-
Financial assets fair value	4,562,442	-	-
Statutory deposit	149,965	-	-
Accrued income on statutory deposit	4,378	-	-
	12,618,328	356,578	-
	12,974,906		
	2023		
	Non-investment grade		
	Investment grade	Not impaired	Impaired
Cash and cash equivalents	1,255,896	-	-
Other receivables and accrued income	-	396,342	-
Term deposits	7,223,011	-	-
Financial assets at amortised cost	587,360	-	-
Financial assets at fair value	3,302,721	-	-
Statutory deposit	149,960	-	-
Accrued income on statutory deposit	8,690	-	-
	12,527,638	396,342	-
	12,923,980		

The Group does not have any financial asset classified in Stage 2 or 3 as at 31 December 2024 and 2023. The ECL on Stage 1 financial assets is not material. The group credit exposure is mainly concentrated in the sectors such as public establishment and institutions, financial institutions, oil and gas and real estate.

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28. RISK MANAGEMENT (continued)

f) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its operational or financial obligations when they are due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds through premiums received and excess cash are available to meet any commitments as they arise.

The table below summaries the maturity profile of the financial liabilities, lease liabilities and insurance contract liabilities of the Group based on remaining expected undiscounted contractual obligations:

	2024		Total
	Up to one year	More than one year	
Accrued and other liabilities	651,396	-	651,396
Insurance contract liabilities	9,004,813	-	9,004,813
Lease liability	29,063	137,796	166,859
Due to related parties	46,944	-	46,944
Accrued income payable to Insurance Authority	4,378	-	4,378
	9,736,594	137,796	9,874,390
	2023		Total
	Up to one year	More than one year	
Accrued and other liabilities	734,859	-	734,859
Insurance contract liabilities	8,267,196	-	8,267,196
Lease liability	35,810	149,907	185,717
Due to related parties	40,935	-	40,935
Accrued income payable to Insurance Authority	8,690	-	8,690
	9,087,490	149,907	9,237,397

g) Liquidity profile

All financial assets excluding financial assets at amortised cost and financial assets at fair value amounting to SR 7,411 million are expected to be recovered or settled before one year. Term deposits amounting to SR 1,657 million (31 December 2023: SR 3,672 million) mature within one year and the remaining balance have maturities greater than one year.

None of the liabilities on the statement of financial position are based on discounted cash flows, with exception of end-of-service benefits and lease liabilities and are all payable on a basis as set out above. There are no differences between contractual and expected maturity of the financial liabilities of the Group.

29. INSURANCE OPERATIONS' SURPLUS PAYABLE

	2024	2023
Balance at the beginning of the year	260,796	208,021
Income attributable to insurance operations during the year	138,022	97,004
Surplus paid to policyholders during the year	(70,984)	(44,229)
Net surplus payable to policyholders	327,834	260,796

As a result of the adoption of IFRS 17, net surplus payable to policyholders is reported as part of insurance contract liabilities. Also, income attributable to insurance operations is expensed as part of insurance service expenses.

30. DIVIDENDS

During the year ended 31 December 2024, the Group's Board of Directors proposed to pay dividends for the year ended 31 December 2023 of SR 4.0 per share, totalling SR 600 million (2022: SR 540 million) to its shareholders. The dividends were approved by the shareholders in the Extraordinary General Assembly meeting held on 30 June 2024 and was paid during the year.

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31. INSURANCE SERVICE RESULTS

	2024	2023
<i>Insurance Revenue</i>		
<u>Contracts measured under PAA</u>		
Insurance revenue	18,101,517	15,887,715
<i>Insurance Service Expenses</i>		
Incurrd claims and other directly attributable expenses	(16,674,245)	(14,737,829)
Changes that relate to past service – adjustments to the LIC	552,239	428,512
Reversal of onerous contract	-	61,561
Insurance acquisition cash flows amortization	(911,454)	(746,676)
Total insurance service expenses	(17,033,460)	(14,994,432)
Insurance service result before reinsurance contracts held	1,068,057	893,283
<i>Allocation of reinsurance premiums</i>		
<u>Contracts measured under PAA</u>		
Premium ceded on reinsurance contracts held	(234,981)	(151,740)
Amounts allocated to reinsurance from contracts measured under the PAA	(234,981)	(151,740)
<i>Amounts recoverable from reinsurers for incurred claims</i>		
Claims recovered and other directly attributable expenses	214,985	132,817
Changes that relate to past service – adjustments to the assets for incurred claims	(49,965)	(9,323)
Total amounts recoverable from reinsurance for incurred claims	165,020	123,494
Net expense from reinsurance contracts held	(69,961)	(28,246)
Net insurance service result	998,096	865,037

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32. CLAIMS DEVELOPMENT TABLE

The following tables show the estimates of cumulative incurred claims, including both claims reported and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment.

In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Claims triangulation analysis is by accident years, spanning a number of financial years.

2024	2021 and				
Accident year	earlier	2022	2023	2024	Total
Undiscounted liabilities for incurred claims, gross of reinsurance:					
At end of accident year	53,535,494	11,314,094	13,529,148	15,387,733	93,766,469
1 year later	53,115,982	10,938,600	13,100,250	-	77,154,832
2 years later	53,132,125	10,955,680	-	-	64,087,805
3 years later	53,137,964	-	-	-	53,137,964
Current estimate of ultimate claims	53,137,964	10,955,680	13,100,250	15,387,733	92,581,627
Ultimate payments to date	53,086,814	10,907,094	12,871,712	12,057,226	88,922,846
Liability recognized in the consolidated statement of financial position	51,150	48,586	228,538	3,330,507	3,658,781
Other related reserves					216,737
Balance at 31 December					3,875,518
2023	2020 and				
Accident year	earlier	2021	2022	2023	Total
Undiscounted liabilities for incurred claims, gross of reinsurance:					
At end of accident year	46,940,903	9,775,177	11,314,093	13,529,148	81,559,321
1 year later	46,247,258	9,355,664	10,938,600	-	66,541,522
2 years later	46,291,114	9,371,807	-	-	55,662,921
3 years later	46,308,390	-	-	-	46,308,390
Current estimate of ultimate claims	46,308,390	9,371,807	10,938,600	13,529,148	80,147,945
Ultimate payments to date	46,279,621	9,324,463	10,801,211	10,702,450	77,107,745
Liability recognized in the consolidated statement of financial position	28,769	47,344	137,389	2,826,698	3,040,200
Other related reserves					174,026
Balance at 31 December					3,214,226

The claim development table reconciles to the liability for incurred claims as disclosed in note 6 to the consolidated financial statements when adjusted for reserves in respect of directly attributable expenses amounting to SR 674 million (2023: SR 545 million).

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32. CLAIMS DEVELOPMENT TABLE (continued)

2024 Accident year	2021 and earlier	2022	2023	2024	Total
Undiscounted liabilities for incurred claims, net of reinsurance:					
At end of accident year	53,468,735	11,253,658	13,405,271	15,192,070	93,319,734
1 year later	53,055,483	10,878,036	12,986,837	-	76,920,356
2 years later	53,070,016	10,902,916	-	-	63,972,932
3 years later	53,077,325	-	-	-	53,077,325
Current estimate of ultimate claims	53,077,325	10,902,916	12,986,837	15,192,070	92,159,148
Ultimate payments to date	53,026,221	10,854,723	12,760,486	11,913,446	88,554,876
Liability recognized in the consolidated statement of financial position	51,104	48,193	226,351	3,278,624	3,604,272
Other related reserves					214,345
Balance at 31 December					3,818,617
2023 Accident year	2020 and earlier	2021	2022	2023	Total
Undiscounted liabilities for incurred claims, net of reinsurance:					
At end of accident year	46,892,338	9,708,417	11,253,658	13,405,271	81,259,684
1 year later	46,196,203	9,295,165	10,878,036	-	66,369,404
2 years later	46,244,431	9,309,698	-	-	55,554,129
3 years later	46,261,579	-	-	-	46,261,579
Current estimate of ultimate claims	46,261,579	9,309,698	10,878,036	13,405,271	79,854,584
Ultimate payments to date	46,232,842	9,263,916	10,749,970	10,618,143	76,864,871
Liability recognized in the consolidated statement of financial position	28,737	45,782	128,066	2,787,128	2,989,713
Other related reserves					171,810
Balance at 31 December					3,161,523

33. CHANGE IN THE ORDER OF LIQUIDITY OF THE STATEMENT OF FINANCIAL POSITION

In the current year, the management reassessed the order of liquidity in terms of IAS 1 – Financial Statement Presentation and noted that the certain items needed to be reconsidered in terms of the order of liquidity. In particular deferred tax asset is considered more liquid and should be presented above fixtures, furniture and fittings. Due to related parties is payable before lease liabilities and should be presented above lease liabilities.

As such, the order of presentation of the financial statement line items deferred tax assets and due to related parties on the consolidated statement of financial position was changed to more appropriately reflect the presentation in terms of order of liquidity. The change in the order of presentation has no impact on the total assets, total liabilities, net income and retained earnings. The prior year statement of financial position as at 31 December 2023 was changed in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Further, management has assessed that the impact of this change was not material to the statement of financial position as at 1 January 2023 and hence, this was not presented.

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors, on 28 January 2025.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

35. SUPPLEMENTARY INFORMATION

Consolidated Statement of Financial Position

	2024			2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Total assets	9,604,558	5,970,522	15,575,080	9,009,617	5,428,734	14,438,351
Total liabilities	9,637,941	819,142	10,457,083	8,990,970	771,852	9,762,822
Total equity	(33,383)	5,151,380	5,117,997	18,647	4,656,882	4,675,529

Consolidated Statement of Income

	2024			2023		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Insurance revenue	18,101,517	-	18,101,517	15,887,715	-	15,887,715
Insurance service expense	(16,916,920)	(116,540)	(17,033,460)	(14,994,432)	-	(14,994,432)
Net expenses from reinsurance contracts held	(69,961)	-	(69,961)	(28,246)	-	(28,246)
Net insurance service result	1,114,636	(116,540)	998,096	865,037	-	865,037
Commission and income on financial assets at amortised cost	312,478	97,209	409,687	233,984	116,652	350,636
Commission and income on financial assets at fair value	137,733	124,364	262,097	72,629	90,796	163,425
Net impairment loss on financial assets	155	435	590	(656)	(129)	(785)
Net investment results	450,366	222,008	672,374	305,957	207,319	513,276
Net insurance and investment results	1,565,002	105,468	1,670,470	1,170,994	207,319	1,378,313
Other operating expenses	(322,800)	(25,848)	(348,648)	(297,956)	(18,857)	(316,813)
Other revenue	-	90,386	90,386	-	92,065	92,065
Other cost	-	(39,582)	(39,582)	-	(36,886)	(36,886)
Income attributed to the shareholders before, zakat and income tax	1,242,202	130,424	1,372,626	873,038	243,641	1,116,679
Transfer of surplus to shareholders (after deducting 10% policyholder surplus)	(1,104,180)	1,104,180	-	(776,034)	776,034	-
Income attributed to the shareholders before zakat and income tax	138,022	1,234,604	1,372,626	97,004	1,019,675	1,116,679
Zakat charge	-	(77,064)	(77,064)	-	(80,237)	(80,237)
Income tax charge	-	(129,560)	(129,560)	-	(96,279)	(96,279)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	138,022	1,027,980	1,166,002	97,004	843,159	940,163
Total other comprehensive (loss) / Income	(52,030)	(26,429)	(78,459)	39,707	27,441	67,148
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	85,992	1,001,551	1,087,543	136,711	870,600	1,007,311

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(All amounts are presented in Saudi Riyals thousands unless otherwise stated)

35. SUPPLEMENTARY INFORMATION (continued)

Consolidated Statement of Cash flows

	2024			2023		
	<u>Insurance operations</u>	<u>Shareholders' operations</u>	<u>Total</u>	<u>Insurance operations</u>	<u>Shareholders' operations</u>	<u>Total</u>
Net income attributed to shareholders before zakat and income tax	138,022	1,234,604	1,372,626	-	1,116,679	1,116,679
Net cash generated from operating activities	436,347	937,808	1,374,155	1,463,993	813,281	2,277,274
Net cash used in investing activities	(463,265)	(502,313)	(965,578)	(1,215,765)	(510,058)	(1,725,823)
Net cash used in financing activities	(158,252)	(581,031)	(739,283)	-	(583,516)	(583,516)
Net change in cash and cash equivalents	(185,170)	(145,536)	(330,706)	248,228	(280,293)	(32,065)
Cash and cash equivalents at beginning of the year	897,325	358,571	1,255,896	649,097	638,864	1,287,961
Cash and cash equivalents at end of the year	712,155	213,035	925,190	897,325	358,571	1,255,896