

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2017**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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**KPMG Al Fozan & Partners**

Certified Public Accountants  
License No. 46/11/323  
Issued 11/3/1992  
P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia



Ernst & Young & Co. (Public Accountants)  
13<sup>th</sup> Floor – King's Road Tower  
PO Box 1994  
King Abdulaziz Road (Malek Road)  
Jeddah 21441  
Saudi Arabia  
Registration Number: 45

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

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

### Introduction

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 31 March 2017 and the related interim statements of insurance operations and accumulated surplus, insurance operations comprehensive income, shareholders' operations and shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders cash flows for the three-month period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for zakat and tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and SAMA guidance on accounting for zakat and tax.

for KPMG Al Fozan & Partners  
Certified Public Accountants

Ebrahim Oboud Baeshen  
Certified Public Accountant  
Licence No. 382

for Ernst & Young

Ahmed I. Reda  
Certified Public Accountant  
Licence No. 356



Jeddah, Kingdom of Saudi Arabia  
15 Shaban 1438H  
Corresponding to 11 May 2017



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

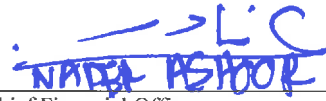
INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		<i>31 March 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	137,768	132,030
Murabaha deposits	5	2,792,665	3,057,816
Investments	6	479,251	544,090
Premiums receivable - net	7	1,534,173	980,543
Reinsurer's share of unearned premiums		1,848	1,356
Reinsurer's share of outstanding claims	9	1,720	1,720
Prepayments and other assets		136,845	131,546
Deferred policy acquisition costs		68,292	72,281
<b>Total insurance operations' assets</b>		<b>5,152,562</b>	<b>4,921,382</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	46,641	93,800
Murabaha deposits	5	1,056,326	987,494
Investments	6	881,185	714,330
Other receivables		17,349	17,445
Furniture, fixtures and equipment		104,521	90,945
Due from insurance operations		--	148,477
Goodwill		98,000	98,000
Accrued interest on statutory deposit	8	3,970	3,585
Statutory deposit	8	80,000	80,000
<b>Total shareholders' assets</b>		<b>2,287,992</b>	<b>2,234,076</b>
<b>TOTAL ASSETS</b>		<b>7,440,554</b>	<b>7,155,458</b>

  
Chairman

  
Director and Chief Executive Officer

  
Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2017

	Notes	31 March 2017 SR'000 (Unaudited)	31 December 2016 SR'000 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums		3,455,407	3,094,990
Outstanding claims	9	1,354,574	1,321,622
Reinsurance balances payable		28,516	15,117
Accrued expenses and other liabilities		171,052	171,292
Due to shareholders' operations		--	148,477
<b>Total insurance operations' liabilities</b>		<b>5,009,549</b>	<b>4,751,498</b>
<b>Insurance operations' surplus</b>			
Policyholders' share of accumulated surplus from insurance operations		142,822	169,884
Fair value reserve for available for sale investments		191	--
<b>Total insurance operations' liabilities and surplus</b>		<b>5,152,562</b>	<b>4,921,382</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Accrued expenses and other liabilities		68,909	62,140
Accrued Zakat and income tax	12	135,743	116,953
Accrued interest on statutory deposit	8	3,970	3,585
Amounts due to related parties	11	30,010	24,344
<b>Total shareholders' liabilities</b>		<b>238,632</b>	<b>207,022</b>
<b>Shareholders' equity</b>			
Share capital	13	800,000	800,000
Statutory reserve	14	403,902	403,902
Available for sale investments fair value reserve		1,206	--
Share based payment	15	14,580	16,931
Shares held under employees share scheme	15	(17,856)	(23,404)
Retained earnings		847,528	829,625
<b>Total shareholders' equity</b>		<b>2,049,360</b>	<b>2,027,054</b>
<b>Total shareholders' liabilities and equity</b>		<b>2,287,992</b>	<b>2,234,076</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>7,440,554</b>	<b>7,155,458</b>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)**

For the three-month period ended 31 March 2017

	<i>Notes</i>	<i>Three-month period ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>
<b>REVENUE</b>			
Gross written premiums		2,252,770	2,446,029
Premiums ceded		(16,407)	(11,689)
Net written premiums		<u>2,236,363</u>	<u>2,434,340</u>
Net movement in unearned premiums		(359,925)	(551,970)
Net earned premiums		<u>1,876,438</u>	<u>1,882,370</u>
<b>CLAIMS</b>			
Claims paid		1,636,040	1,492,766
Claims recovered		--	--
Net claims paid		<u>1,636,040</u>	<u>1,492,766</u>
Net movement in outstanding claims	9	32,952	111,321
Net claims incurred		<u>1,668,992</u>	<u>1,604,087</u>
<b>Net underwriting result</b>		<b>207,446</b>	<b>278,283</b>
<b>EXPENSES</b>			
Selling and marketing		(119,347)	(111,304)
General and administrative		(87,553)	(94,486)
<b>Investment and commission income</b>	10	<b>29,500</b>	<b>11,754</b>
<b>Other income</b>		<b>--</b>	<b>46</b>
<b>SURPLUS FROM INSURANCE OPERATIONS</b>		<b>30,046</b>	<b>84,293</b>
Shareholders' share of surplus from insurance operations	2(b)	(27,041)	(75,864)
<b>Policyholders' share of surplus from insurance operations</b>		<b>3,005</b>	<b>8,429</b>
Policyholders' share of surplus from insurance operations at the beginning of the period		169,884	154,299
Distribution of surplus during the period		(30,067)	(3,174)
<b>Policyholders' share of accumulated surplus from insurance operations at the end of the period</b>		<u><b>142,822</b></u>	<u><b>159,554</b></u>

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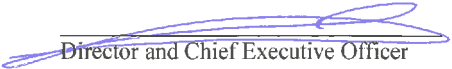
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS COMPREHENSIVE INCOME  
(UNAUDITED)

For the three-month period ended 31 March 2017

	<i>Three-month period ended 31</i>	
	<i>March</i>	
	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<b>Net income for the period</b>	<b>3,005</b>	<b>8,429</b>
<i>Other comprehensive income</i>		
<b><u>Items to be reclassified subsequently to the statement of insurance operations and accumulated surplus</u></b>		
Unrealised gains on available for sale investments	<b>191</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>3,196</b>	<b>8,429</b>

  
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Chief Financial Officer


The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)**  
For the three-month period ended 31 March 2017

		<i>Three-month period ended 31</i>	
		<i>March</i>	
		<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>
<b>REVENUE</b>	<i>Notes</i>		
Shareholders' share of surplus from insurance operations	2(b)	27,041	75,864
<b>EXPENSES</b>			
General and administrative		<u>(2,212)</u>	<u>(3,297)</u>
		24,829	72,567
Investment and commission income	10	<u>11,864</u>	<u>69</u>
<b>Net income for the period</b>		<u><u>36,693</u></u>	<u><u>72,636</u></u>
Weighted average number of ordinary shares outstanding (in thousands)		<u>79,813</u>	<u>79,881</u>
Basic and diluted earnings per share (in Saudi Arabian Riyals)	18	<u><u>0.46</u></u>	<u><u>0.91</u></u>

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
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\_\_\_\_\_  
Chief Financial Officer

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



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INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME  
(UNAUDITED)  
For the three-month period ended 31 March 2017

	2017 <i>SR'000</i>	2016 <i>SR'000</i>
Net income for the period	36,693	72,636
<i>Other comprehensive income</i>		
<u>Items to be reclassified subsequently to the statement of shareholders' operations</u>		
Unrealised gains on available for sale investments	1,206	--
<b>Total comprehensive income for the period</b>	<b>37,899</b>	<b>72,636</b>

  
\_\_\_\_\_  
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\_\_\_\_\_  
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\_\_\_\_\_  
Chief Financial Officer

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


**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three-month period ended 31 March 2017

	Notes	Share capital SR'000	Statutory reserve SR'000	Available for sale investments fair value reserve SR'000	Share based payment SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2016 (Audited)		800,000	403,902	--	16,931	(23,404)	829,625	2,027,054
<b>Total comprehensive income</b>								
Net income for the period		--	--	--	--	--	36,693	36,693
Unrealised fair value gains on available for sale investments		--	--	1,206	--	--	--	1,206
<b>Transactions with owners of the Company</b>								
Provision for Zakat for the period	12	--	--	--	--	--	(11,838)	(11,838)
Provision for income tax for the period	12	--	--	--	--	--	(6,952)	(6,952)
(Purchase)/Disposals of shares under LTIP	15	--	--	--	--	5,548	--	5,548
Provision for LTIP	15	--	--	--	(2,351)	--	--	(2,351)
Balance at 31 March 2017 (Unaudited)		800,000	403,902	1,206	14,580	(17,856)	847,528	2,049,360

	Notes	Share capital SR'000	Statutory reserve SR'000	Available for sale investments fair value reserve SR'000	Share based payment SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2015 (Audited)		800,000	277,761	--	9,600	(13,101)	592,280	1,666,540
<b>Total comprehensive income</b>								
Net income for the period		--	--	--	--	--	72,636	72,636
Unrealised fair value gains on available for sale investments		--	--	--	--	--	--	--
<b>Transactions with owners of the Company</b>								
Provision for Zakat for the period	12	--	--	--	--	--	(5,910)	(5,910)
Provision for income tax for the period	12	--	--	--	--	--	(11,468)	(11,468)
(Purchase) / Disposals of shares under LTIP	15	--	--	--	--	(10,303)	--	(10,303)
Provision for LTIP	15	--	--	--	1,788	--	--	1,788
Balance at 31 March 2016 (Unaudited)		800,000	277,761	--	11,388	(23,404)	647,538	1,713,283

  
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Chief Financial Officer

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**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**  
**(UNAUDITED)**

For the three-month period ended 31 March 2017

	Notes	<i>Three-month period ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Policyholders' share of surplus for the period		3,005	8,429
Adjustments for:			
Distribution of surplus		(30,067)	(3,174)
Depreciation		4,013	3,256
Allowance for doubtful premiums receivable, net		(13,515)	(19,168)
Investment income earned during the period, net	6(a)	--	(747)
Realised (gain) / loss on investments	6(a)	(601)	1,001
Unrealised (gain) / loss on FVIS investments	6(a)	(1,069)	1,265
Unearned premiums		360,417	552,646
Reinsurer's share of unearned premiums		(492)	(677)
Deferred policy acquisition costs		3,989	9,700
		<u>325,680</u>	<u>552,531</u>
Changes in operating assets and liabilities:			
Premiums receivable		(540,115)	(631,418)
Prepayments and other assets		(5,299)	(16,346)
Outstanding claims		32,952	109,703
Reinsurer's share of outstanding claims		--	1,618
Due from shareholders' operations		(152,490)	(3,256)
Reinsurance balances payable		13,399	5,689
Accrued expenses and other liabilities		(240)	(90,776)
		<u>(326,113)</u>	<u>(72,255)</u>
Net cash used in operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(133,545)	--
Proceeds from disposal of investments		200,245	--
Proceeds from murabaha deposits matured during the period		922,087	1,075,637
Placement in murabaha deposits,		(656,936)	(1,096,115)
		<u>331,851</u>	<u>(20,478)</u>
Net cash generated from / (used in) investing activities			
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>5,738</b>	<b>(92,733)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>132,030</b>	<b>205,565</b>
<b>Cash and cash equivalents at end of the period</b>		<b>137,768</b>	<b>112,832</b>
<b>Non-cash information</b>			
Unrealised gain on available for sale investments	6(a)	191	--

Chairman

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Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2017

	Notes	<i>Three-month period ended 31 March</i>	
		2017 SR'000	2016 SR'000
<b>OPERATING ACTIVITIES</b>			
Net income for the period		36,693	72,636
Adjustment for:			
Share based payment expense		(2,351)	1,788
Investment income earned during the period – net	6(b)	--	(1,343)
Realised (gain) / loss on investments	6(b)	(231)	3,004
Unrealised (gain) / loss on FVIS investments	6(b)	(429)	3,803
Employees end of services benefit expense		3,509	2,531
		<u>37,191</u>	<u>82,419</u>
Changes in operating assets and liabilities:			
Other receivables		95	(1,091)
Accrued expenses and other liabilities		4,513	351
Amounts due to related parties		5,666	(11,215)
Due to insurance operations		152,490	3,256
		<u>199,955</u>	<u>73,720</u>
Employee end of service benefits paid		(1,252)	(544)
Zakat and income tax paid	12	--	(302)
		<u>198,703</u>	<u>72,874</u>
<b>INVESTING ACTIVITY</b>			
Purchase of furniture, fixtures and equipment		(17,589)	(6,922)
Purchase of investments		(182,608)	--
Proceeds from disposal of investments		17,619	--
Proceeds from murabaha deposits matured during the period		286,840	500,000
Placement in murabaha deposits		(355,672)	(903,488)
Disposals /(purchase) of shares held under LTIP		5,548	(10,303)
		<u>(245,862)</u>	<u>(420,713)</u>
Net cash used in investing activity		(245,862)	(420,713)
<b>Net decrease in cash and cash equivalents</b>		<b>(47,159)</b>	<b>(347,839)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>93,800</b>	<b>593,297</b>
<b>Cash and cash equivalents at end of the period</b>		<b>46,641</b>	<b>245,458</b>
<b>Non-cash information</b>			
Zakat and income tax credited to retained earnings	12	18,790	17,378
Unrealised gain on available for sale investments	6(b)	1,206	--

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Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2017

### 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 and Industry’s Resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khaleidiah District,  
Prince Saud Al Faisal Street,  
Front of Saudi Airlines 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.

### 2 BASIS OF PREPARATION

#### a. Basis of measurement

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention except for the measurement at fair value of fair value through income statement (FVIS) investments and available for sale investments (AFS). The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities, except for the statutory deposit, and the associated return on investment/accrued return on investment in the statutory deposit and obligation under LTIP, are expected to be recovered and settled respectively within twelve months after the reporting date. Held to maturity investments are expected to be settled after twelve months of the reporting date.

#### b. Statement of compliance

During 2017 Saudi Arabian Monetary Authority (“SAMA”) issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and tax. The new guidance requires zakat and tax to be accrued on a quarterly basis and recognized in interim statement of shareholders’ equity with a corresponding liability recognized in the interim statement of financial position.

Applying the above framework, the interim condensed financial statements of the Company as at and for the three month period ended 31 March 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting and SAMA guidance on accounting for zakat and tax. As the Company’s accounting policy for the zakat and tax has always been consistent with the SAMA’s new guidance, the adoption of the guidance has not resulted in any changes in the accounting policies, accounting treatment or amounts reported in current or prior years/periods.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s audited financial statements for the year ended 31 December 2016.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) At 31 March 2017

### 2 BASIS OF PREPARATION (continued)

#### b. Statement of compliance (continued)

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors. In accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	<hr/>
	100%
	<hr/> <hr/>

In case of deficit in insurance operations result, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors, provided the customer contract is active and paid up to date at the time of settlement of the cooperative distribution amount.

The Company's interim results may not be indicative of its annual results.

#### c. Critical accounting judgements, estimates and assumptions

The preparation of interim condensed financial statements in conformity with IFRS as adopted by SAMA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reported period. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In the opinion of the management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

##### (i) Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following period is included in the statement of insurance operations and accumulated surplus for that period. The provision for outstanding claims, as at 31 March 2017 and 31 December 2016, are also verified by an independent actuary.

##### (ii) Deferred acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment in the statement of insurance operations and accumulated surplus.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
At 31 March 2017

**2 BASIS OF PREPARATION (continued)**

**c. Critical accounting judgements, estimates and assumptions (continued)**

*(iii) Fair values 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, judgement is required to establish fair values.

*(iv) Premium deficiency reserve*

Estimation of the premium deficiency for medical business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the Company's actuarial team, and the independent actuary, considers the claims and premiums relationship which is expected to apply in future.

*(v) Allowance for doubtful premiums receivable*

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

*(vi) Impairment of available for sale investments*

The Company exercises judgment to consider impairment on the available for sale investments at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share prices. In addition, the Company considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Company considers 50% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount and is, thus, recognized in the statement of insurance operations and accumulated surplus or statement of shareholders' operations accordingly as an impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the statement of insurance operations and accumulated surplus or statement of shareholders' operations accordingly. The Company reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

*(vii) Going concern*

The Company's management has made an assessment of its 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 Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*(viii) Impairment of Goodwill*

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 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. 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.

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

At 31 March 2017

**2 BASIS OF PREPARATION (continued)**

**d. Functional and presentation currency**

The interim condensed financial statements are expressed in Saudi Arabian Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2016, except for available for sale and held to maturity investments. Further, the adoption of the amendments to existing standards mentioned below had no financial impact on the interim condensed financial statements of the Company.

**a. Investments**

*(i) Available for sale investments*

Available for sale investments are non-derivative investments that are designated as available for sale or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized through the statement of insurance operations comprehensive income or statement of shareholders' comprehensive income until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to statement of insurance operations and accumulated surplus or statement of shareholders' operations for the period and are disclosed as gains/(losses) on non-trading investments.

*(ii) Held to maturity investments*

Investments having fixed or determinable payments and fixed maturity that the Company's has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less allowance for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Company's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or repayment risk, reflecting the intention to hold them to maturity.

Due to the adoption of the above accounting policies, an unrealised fair value gain of SR 191 thousand and SR 1,206 thousand has been taken to interim statements of insurance operations comprehensive income and shareholders' comprehensive income respectively. No impact to the interim statements of insurance operations and accumulated surplus and shareholders' operations.



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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. New IFRS, IFRIC and amendments thereof, adopted by the Company**

The Company has adopted the following amendments and revisions to existing standards, where applicable, which were issued by the International Accounting Standards Board (IASB):

<i><u>Standard/ Amendments</u></i>	<i><u>Description</u></i>
Amendments to IAS 7	IAS 7 - Statement of Cash Flows: The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt.
IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale or distribution. These amendments apply retrospectively.

**c. New IFRS, IFRIC and amendments thereof, issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of these interim condensed financial statements are listed below. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards and amendments, where applicable, when they become effective.

<i><u>Standard/ Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration.	1 January 2018
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.	1 January 2018
IFRS 16	Leases	1 January 2019

The implementation of IFRS 9 is expected to result in a significant portion of a company's financial assets classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021.

The Company is currently assessing the implications of the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

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At 31 March 2017

**4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following:

	<i>31 March 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<b><i>Insurance Operations</i></b>		
Cash in banks	<b>137,768</b>	132,030
<b><i>Shareholders' Operations</i></b>		
Cash in banks	<b>46,641</b>	93,800

At 31 March 2017, the Company issued performance guarantees to customers against margin deposits amounting to SR 23.5 million (31 December 2016: SR 15.7 million) placed with the banks. This restricted deposit has been included under prepayments and other assets.

**5 MURABAHA DEPOSITS**

The Murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These deposits are predominately in Murabaha deposits with small allocation in Mudaraba. They are denominated in Saudi Arabian Riyals and have an original maturity from more than three months to more than one year and yield financial income at rates ranging from 2.42% to 4.15% per annum. The movements in Murabaha Deposits during the period/year ended 31 March 2017 and 31 December 2016 respectively are as follows:

	<i>31 March 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<b><i>Insurance Operations</i></b>		
Balance at beginning of the period/year	<b>3,057,816</b>	3,047,529
Matured during the period/year	<b>(922,087)</b>	(4,709,070)
Placed during the period/year	<b>656,936</b>	4,719,357
Balance at end of the period/year	<b>2,792,665</b>	3,057,816
<b><i>Shareholders' Operations</i></b>		
Balance at beginning of the period/year	<b>987,494</b>	500,000
Matured during the period/year	<b>(286,840)</b>	(1,670,104)
Placed during the period/year	<b>355,672</b>	2,157,598
Balance at end of the period/year	<b>1,056,326</b>	987,494

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
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**6 INVESTMENTS**

*a) Insurance operations*

Investments as at 31 March 2017 and 31 December 2016 comprise of the following:

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
FVIS investments (refer note (i) below)	<b>240,454</b>	544,090
Available for sale investments (refer note (ii) below)	<b>201,303</b>	--
Held to maturity investments (refer note (iii) below)	<b>37,494</b>	--
	<b>479,251</b>	544,090

During the period, the Company reclassified some of its Sukuk investments, previously held under FVIS to available for sale and held to maturity categories reflecting the change in business model and management intentions to carry on these investments until maturity. The change has been effected from 1 January 2017 and accordingly the fair value of the reclassification date has been used as cost for these reclassified investments.

The following table summarizes the reclassification of investments at the classification date:

<i>Type of investment</i>	<i>Previous Classification</i>	<i>New Classification</i>	<i>Amount SR'000</i>
Sukuks	FVIS investments	Available for sale investments	171,379
Sukuks	FVIS investments	Held to maturity investments	37,468
			<b>208,847</b>

*i) FVIS investments*

FVIS investments of insurance operations are designated as such upon initial recognition and are comprised of the following:

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
Mutual funds – money market fund	<b>205,924</b>	300,437
Sukuks	<b>34,530</b>	243,653
	<b>240,454</b>	544,090

FVIS investments in sukuks comprise of the following:

	<b>31 March 2017 (Unaudited)</b>	
	<b>Cost SR'000</b>	<b>Carrying Value SR'000</b>
Floating Rate Sukuks	<b>28,027</b>	<b>28,027</b>
Fixed Rate Sukuks	<b>6,503</b>	<b>6,503</b>
	<b>34,530</b>	<b>34,530</b>

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
 At 31 March 2017

**6 INVESTMENTS (continued)**

*a) Insurance operations (continued)*

*ii) Available for sale investments*

Available for sale investments in sukuku comprise of the following:

	<b>31 March 2017 (Unaudited)</b>	
	<b>Cost</b>	<b>Carrying Value</b>
	<b>SR'000</b>	<b>SR'000</b>
Floating Rate Sukuku	<b>104,302</b>	<b>104,302</b>
Fixed Rate Sukuku	<b>96,826</b>	<b>97,001</b>
	<b>201,128</b>	<b>201,303</b>

*iii) Held to maturity investments*

Held to maturity investments in sukuku comprise of the following:

	<b>31 March 2017 (Unaudited)</b>	
	<b>Cost</b>	<b>Carrying Value</b>
	<b>SR'000</b>	<b>SR'000</b>
Floating Rate Sukuku	--	--
Fixed Rate Sukuku	<b>37,468</b>	<b>37,494</b>
	<b>37,468</b>	<b>37,494</b>

The movements in the investments during the period/year ended 31 March 2017 and 31 December 2016 are as follows:

	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>SR'000</b>	<b>SR'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Insurance operations</b>		
Balance at beginning of the period/year	<b>544,090</b>	185,143
Purchased during the period/year	<b>133,545</b>	504,582
Disposed during the period/year	<b>(200,245)</b>	(149,638)
Income earned during the period/year, net	--	2,379
Realised gains/(losses) during the period/year	<b>601</b>	(614)
Unrealised gains during the period/year	<b>1,260</b>	2,238
Balance at end of the period/year	<b>479,251</b>	544,090

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
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**6 INVESTMENTS (continued)**

*b) Shareholders' operations:*

Investments as at 31 March 2017 and 31 December 2016 comprises of the following:

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
FVIS investments (refer note (i) below)	<b>591,674</b>	714,330
Available for sale investments (refer note (ii) below)	<b>177,029</b>	--
Held to maturity investments (refer note (iii) below)	<b>112,482</b>	--
	<b>881,185</b>	714,330

During the period, the Company reclassified its Sukuk investments, previously held under FVIS to available for sale and held to maturity categories reflecting the change in investments business model and management intentions to carry on these investments until maturity. The change has been effected from 1 January 2017 and accordingly the fair value of the said date has been used as cost for these reclassified investments.

The following table summarizes the reclassification of investments at the classification date:

<i>Type of investment</i>	<i>Previous Classification</i>	<i>New Classification</i>	<b>Amount SR'000</b>
Sukuks	FVIS investments	Available for sale investments	143,525
Sukuks	FVIS investments	Held to maturity investments	112,404
			<b>255,929</b>

*i) FVIS investments*

FVIS investments of shareholders' operations are designated upon initial recognition and comprised the following:

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
Investments in discretionary portfolio	<b>98,315</b>	100,370
Mutual funds – money market fund	<b>389,785</b>	251,887
Sukuks	<b>103,574</b>	362,073
	<b>591,674</b>	714,330

These investments are classified as FVIS investment. The discretionary portfolio of shareholders' operations is invested in following type of securities and investments at the period/yearend.

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
Equities	<b>92,861</b>	92,277
Other assets, net	<b>5,454</b>	8,093
	<b>98,315</b>	100,370

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
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**6 INVESTMENTS (continued)**

b) *Shareholders' operations (continued):*

i) *FVIS investments (continued)*

FVIS investments in sukuku comprise of the following:

	<i>31 March 2017 (Unaudited)</i>	
	<i>Cost</i>	<i>Carrying Value</i>
	<i>SR'000</i>	<i>SR'000</i>
Floating Rate Sukuku	84,076	84,076
Fixed Rate Sukuku	19,498	19,498
	<u>103,574</u>	<u>103,574</u>

ii) *Available for sale investments*

Available for sale investments of shareholders' operations are designated upon initial recognition and comprised of the following:

	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Mutual funds	19,171	--
Sukuku	157,858	--
	<u>177,029</u>	<u>--</u>

Available for sale investments in sukuku comprise of following:

	<i>31 March 2017 (Unaudited)</i>	
	<i>Cost</i>	<i>Carrying Value</i>
	<i>SR'000</i>	<i>SR'000</i>
Floating Rate Sukuku	132,886	132,886
Fixed Rate Sukuku	24,750	24,972
	<u>157,636</u>	<u>157,858</u>

iii) *Held to maturity investments*

Held to maturity investments in sukuku comprise of the following:

	<i>31 March 2017 (Unaudited)</i>	
	<i>Cost</i>	<i>Carrying Value</i>
	<i>SR'000</i>	<i>SR'000</i>
Floating Rate Sukuku	--	--
Fixed Rate Sukuku	112,404	112,482
	<u>112,404</u>	<u>112,482</u>

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

At 31 March 2017

**6 INVESTMENTS (continued)**

*b) Shareholders' operations (continued):*

The movements in the investments during the period/year ended 31 March 2017 and 31 December 2016 are as follows:

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
<b><i>Shareholders' operations</i></b>		
Balance at beginning of the period/year	714,330	439,785
Purchased during the period/year	182,608	865,827
Disposed during the period/year	(17,619)	(585,179)
Income earned during the period/year, net	--	3,750
Realised (gains)/losses during the period/year	231	(1,264)
Unrealised gains/(losses) during the period/year	1,635	(8,589)
	<u>881,185</u>	<u>714,330</u>

Amount payable to/receivable from shareholders' operations are settled by transfer of cash at each reporting date. During the three-month period ended 31 March 2017, the insurance operations transferred cash of SR 156.1 million to the shareholders' operations (31 December 2016: SR 188.6 million).

All investments are denominated in Saudi Arabian Riyals and US Dollars.

**7 PREMIUMS RECEIVABLE – NET**

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
<b><i>Insurance Operations</i></b>		
Gross premiums receivable	1,663,461	1,123,540
Allowance for doubtful premiums receivable	(129,288)	(142,997)
	<u>1,534,173</u>	<u>980,543</u>

The movements in the allowance for doubtful premiums receivable were as follows:

	<b>31 March 2017 SR'000 (Unaudited)</b>	<b>31 December 2016 SR'000 (Audited)</b>
Balance at beginning of the period/year	142,997	114,266
Provision made during the period/year	(13,515)	35,326
Utilised during the period/year	(194)	(6,595)
	<u>129,288</u>	<u>142,997</u>

**8 STATUTORY DEPOSIT**

As required by the SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 80 million, in a bank designated by SAMA. Commission accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
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**9 NET MOVEMENT IN OUTSTANDING CLAIMS**

Net movement in outstanding claims during the period ended 31 March is as follows:

	<i>2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>2016</i> <i>SR'000</i> <i>(Unaudited)</i>
<b><i>Insurance Operations</i></b>		
Gross outstanding claims at end of the period	<b>1,354,574</b>	1,164,072
Gross outstanding claims at beginning of the period	<b>(1,321,622)</b>	(1,054,369)
	<u><b>32,952</b></u>	<u>109,703</u>
Reinsurer's share of outstanding claims at end of the period	<b>(1,720)</b>	(1,394)
Reinsurer's share of outstanding claims at beginning of the period	<b>1,720</b>	3,012
	<u><b>--</b></u>	<u>1,618</u>
<b>Movement in net outstanding claims</b>	<u><b>32,952</b></u>	<u>111,321</u>

**10 INVESTMENT AND COMMISSION INCOME**

	<i>For the three</i> <i>months period</i> <i>ended</i> <i>31 March 2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>For the three</i> <i>months period</i> <i>ended</i> <i>31 March 2016</i> <i>SR'000</i> <i>(Unaudited)</i>
<b><i>Insurance Operations</i></b>		
- Commission income	<b>27,830</b>	14,020
- Realized / unrealised gain / (loss) on investments – net	<b>1,670</b>	(2,266)
	<u><b>29,500</b></u>	<u>11,754</u>
<b>Shareholder operations</b>		
- Commission income	<b>11,204</b>	6,876
- Realized / unrealised gain / (loss) on investments – net	<b>660</b>	(6,807)
	<u><b>11,864</b></u>	<u>69</u>



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

At 31 March 2017

**11 TRANSACTIONS WITH RELATED PARTIES**

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions and are approved by management.

The following are details of the related party transactions during the period ended 31 March and the related balances as at the 31 March 2017 and 31 December 2016:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>		<u>Receivable/(payable) balance as at</u>	
		<i>For the three months period ended 31 March 2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>For the three months period ended 31 March 2016</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>31 March 2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>31 December 2016</i> <i>SR'000</i> <i>(Audited)</i>
<b>Insurance Operations</b>					
Shareholders	Gross written premiums	<b>2,504</b>	3,055	<b>2,096</b>	2,156
Shareholders	Premium ceded	<b>1,268</b>	1,275	<b>(4,783)</b>	(3,844)
Shareholders	Claims paid	<b>608</b>	834	<b>(59)</b>	(763)
Shareholders	Medical costs charged by providers	<b>795</b>	61	<b>74</b>	(779)
Shareholders	Expenses recharged to/from a related party-net	<b>1</b>	64	<b>1</b>	--
Shareholders	Tax equalisation - net	--	--	<b>(1,169)</b>	(1,169)
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	<b>4,728</b>	4,732	<b>(24,058)</b>	(19,331)
Board member (related party)	Sharia review services	<b>38</b>	38	--	--

**a) Compensation to key management personnel:**

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

	<i>2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>2016</i> <i>SR'000</i> <i>(Unaudited)</i>
Short-term benefits	<b>4,912</b>	4,693
Long-term benefits	<b>2,170</b>	1,567
	<b>7,082</b>	6,260

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

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 At 31 March 2017

**12 ZAKAT AND INCOME TAX**

The Zakat payable by the Company has been calculated in accordance with Zakat regulations in Saudi Arabia.

Movements in the Zakat and income tax accrued during the period/year ended 31 March 2017 and 31 December 2016 respectively are as follows:

	<i>Zakat payable</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>Income tax payable</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>Total</i> <i>31 March</i> <i>2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>Total</i> <i>31 December</i> <i>2016</i> <i>SR'000</i> <i>(Audited)</i>
Balance at beginning of the year	108,942	8,011	116,953	42,577
Provided during the period/year	11,838	6,952	18,790	137,354
Payments during the period/year	--	--	--	(62,978)
Balance at end of the period/year	<u>120,780</u>	<u>14,963</u>	<u>135,743</u>	<u>116,953</u>

**Status of assessments**

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 2015 with the General Authority of Zakat and Tax (the "GAZT").

The Company has received final assessments for the fiscal periods 2008 through 2012 and initial assessments for the periods 2013 and 2014 raising additional demands aggregating to SR 40 million, principally on account of disallowance of FVIS investments and statutory deposits from Zakat base. The Company has filed appeals against these assessments with the GAZT. For the years 2011 and 2012, the company has received Preliminary Objection Committee's decisions in favour of the GAZT and is considering to file appeal with the Higher Appeal Committee in due course. The Company's management strongly believes in their stance and expects the decision to be received in their favour.

In addition, the Company is also awaiting the GAZT decision on additional submissions of 2014 relating to the treatment of the statutory deposit and the cooperative distribution for the fiscal periods 2008 through 2013.

**13 SHARE CAPITAL**

The share capital of the Company is SR 800 million divided into 80 million shares of SR 10 each (2016: 80 million shares of SR 10 each).

**14 STATUTORY RESERVE**

As required by Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company makes this transfer on an annual basis at 31 December. As at 31 March 2017, SR 403.9 million (31 December 2016: SR 403.9 million) had been set aside as a statutory reserve, representing 50.4 % (31 December 2016: 50.4 %) of the paid-up share capital.

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

At 31 March 2017

### 15 SHARE BASED PAYMENT

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

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

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

The total LTIP expense recognised for employees' services received is included in the 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity, as per the requirements of International Financial Reporting Standard (IFRS) 2 'Share Based Payments'. Any dividend distributions on the award shares during the vesting period are accumulated and transferred to the participants upon vesting. The Company has a practice to purchase shares at each grant date and retain it with investment Broker, currently NCB Capital.

During 2015, the Company completed the required approvals for the launching of the current LTIP scheme, and the number of LTIP shares purchased during the second half of 2015, in accordance with the approvals, rules and entitlements of the new LTIP scheme, was 51,103 LTIP shares. The original grant date of 32,110 shares and 18,993 shares is 23 July 2015 and 26 November 2015, respectively and the original grant date fair value per share was SR 277 and SR 221, respectively. During December 2015 the Company issued Bonus shares, one per each issued share, and as a result received an additional 51,103 LTIP shares, with impact to grant date fair value per share to SR139 and SR111, respectively.

During 2016, the Company purchased a net 89,855 shares, for the 2016-2018 LTIP cycle, in accordance with the approvals, rules and entitlements of the new LTIP scheme. The grant date of the new LTIP shares purchased is 14 March 2016 and the grant date fair value was SR115 per share.

During the quarter ended 31 March 2017, the Company delivered/disposed of a net 41,171 LTIP shares, in accordance with the scheme rules and relevant approvals, and the net loss on disposal of the LTIP shares, which were no longer required, has been reflected within the equity. Following this delivery/disposal, a total of 150,890 Bupa Arabia shares were being held, as at 31 March 2017. The LTIP Scheme, and the 2017-2019 LTIP cycle shares purchases, were formally approved by the shareholders in the Extraordinary General Assembly Meeting held on Monday 12 Shaban 1438H, corresponding to 8 May 2017G.

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 At 31 March 2017

**16 SEASONALITY AND SEGMENT INFORMATION**

**a) SEASONALITY**

Due to the seasonality of the operations, higher revenues and operating profits are expected in the second half of the year when compared to the first half of the year.

**b) SEGMENT INFORMATION**

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

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

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

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

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

	<i>For the three-month period ended</i>		
	<i>31 March 2017 (Unaudited)</i>		
	<b>Major</b>	<b>Non-major</b>	<b>Total</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
Gross written premiums	<b>1,338,072</b>	<b>914,698</b>	<b>2,252,770</b>
Premiums ceded	<b>(11,649)</b>	<b>(4,758)</b>	<b>(16,407)</b>
Net written premiums	<b>1,326,423</b>	<b>909,940</b>	<b>2,236,363</b>
Movement in net unearned premiums	<b>(180,368)</b>	<b>(179,557)</b>	<b>(359,925)</b>
Net earned premiums	<b>1,146,055</b>	<b>730,383</b>	<b>1,876,438</b>
Claims paid	<b>1,047,066</b>	<b>588,974</b>	<b>1,636,040</b>
Claims recovered	<b>--</b>	<b>--</b>	<b>--</b>
Net claims paid	<b>1,047,066</b>	<b>588,974</b>	<b>1,636,040</b>
Net movement in outstanding claims	<b>13,571</b>	<b>19,381</b>	<b>32,952</b>
Net claims incurred	<b>1,060,637</b>	<b>608,355</b>	<b>1,668,992</b>
Net underwriting result			<b>207,446</b>
Unallocated income			<b>29,500</b>
Unallocated expenses			<b>(206,900)</b>
<b>Surplus from insurance operations</b>			<b>30,046</b>

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**16 SEASONALITY AND SEGMENT INFORMATION (continued)**

**b) SEGMENT INFORMATION (continued)**

	<i>For the three-month period ended</i>		
	<i>31 March 2016 (Unaudited)</i>		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
Gross written premiums	1,504,693	941,336	2,446,029
Premiums ceded to reinsurers	(6,514)	(5,175)	(11,689)
Net written premiums	1,498,179	936,161	2,434,340
Movement in net unearned premiums	(320,855)	(231,115)	(551,970)
Net earned premiums	1,177,324	705,046	1,882,370
Gross claims paid	942,579	550,187	1,492,766
Claims recovered	--	--	--
Net claims paid	942,579	550,187	1,492,766
Movement in net outstanding claims	70,291	41,030	111,321
Net claims incurred	1,012,870	591,217	1,604,087
Net underwriting result			278,283
Unallocated income			11,800
Unallocated expenses			(205,790)
Surplus from insurance operations			84,293

	<i>As at 31 March 2017 (Unaudited)</i>		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
<b>Insurance operations' assets</b>			
Premiums receivable – net	858,656	675,517	1,534,173
Reinsurer's share of unearned premiums	--	1,848	1,848
Reinsurer's share of outstanding claims	1,560	160	1,720
Deferred policy acquisition costs	36,195	32,097	68,292
Unallocated assets			3,546,529
<b>Total</b>			<b>5,152,562</b>
<b>Insurance operations' liabilities and surplus</b>			
Unearned premiums	1,342,820	2,112,587	3,455,407
Outstanding claims	826,290	528,284	1,354,574
Unallocated liabilities and surplus			342,581
<b>Total</b>			<b>5,152,562</b>

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 At 31 March 2017

**16 SEASONALITY AND SEGMENT INFORMATION (continued)**

**b) SEGMENT INFORMATION (continued)**

	<i>As at 31 December 2016 (Audited)</i>		
	Major <i>SR'000</i>	Non-major <i>SR'000</i>	Total <i>SR'000</i>
<b>Insurance operations' assets</b>			
Premiums receivable – net	615,851	364,692	980,543
Reinsurer's share of unearned premiums	--	1,356	1,356
Reinsurer's share of outstanding claims	1,560	160	1,720
Deferred policy acquisition costs	57,173	15,108	72,281
Unallocated assets			3,865,482
<b>Total</b>			<b>4,921,382</b>
<b>Insurance operations' liabilities and surplus</b>			
Unearned premiums	1,346,496	1,748,494	3,094,990
Outstanding claims	837,479	484,143	1,321,622
Unallocated liabilities and surplus			504,770
<b>Total</b>			<b>4,921,382</b>

**17 DIVIDENDS**

On 14 Jumada Al-Akhirah 1438H (corresponding to 13 March 2017G), the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2016, of SR 1.5 per share totalling SR 120 million to its shareholders (2015: SR160 million). This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly Meeting held on Monday 12 Shaban 1438H, corresponding to 8 May 2017G.

**18 EARNINGS PER SHARE**

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

Diluted earnings per share were not applicable to the Company.

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**19 FAIR VALUE OF FINANCIAL INSTRUMENTS**

- a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
  - In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, investments, re-insurance share of outstanding claims, statutory deposits and other receivables and its financial liabilities consist of outstanding claims, reinsurance balance payable, obligation under LTIP, amount due to related parties and other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 March 2017 and 31 December 2016, apart from the FVIS and available for sale investments which are carried at fair value (note 6), there were no other financial instruments held by the Company that were measured at fair value.

- b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

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.

As at 31 March 2017 and 31 December 2016, all financial instruments which are fair valued are Level 2 instruments. The Company determines level 2 fair value of FVIS and available for sale investments based on net asset value of investments at period end. There were no transfer between levels 1, 2 and 3 during the period.

**20 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 15<sup>th</sup> of Shaaban 1438H, corresponding to 11<sup>th</sup> of May 2017.