

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2015

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

FINANCIAL STATEMENTS

For the year ended 31 December 2015

INDEX	PAGE
Independent Auditors' Report	1
Statement of Financial Position	2 - 3
Statement of Insurance Operations and Accumulated Surplus	4
Statement of Shareholders' Operations	5
Statement of Shareholders' Comprehensive Income	6
Statement of Changes in Shareholders' Equity	7
Statement of Insurance Operations' Cash Flows	8
Statement of Shareholders' Cash Flows	9
Notes to the Financial Statements	10 - 45



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



**Aldar Audit Bureau
Abdullah AlBasri & Co.**

Member firm of Grant Thornton International
Licence No. 323/11/36/1
P.O. Box 20142 - Jeddah 21455
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' REPORT

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

Scope of audit

We have audited the accompanying statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 31 December 2015, and the related statements of insurance operations and accumulated surplus, shareholders’ operations, shareholders’ comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the year then ended and related notes from 1 to 35 which form an integral part of these financial statements. These financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Financial Reporting Standards (“IFRS”) and the provisions of Article 123 of the Regulations for Companies and the Company’s bylaws and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with IFRSs; and
- ii) comply with the requirements of the Regulations for Companies and the Company’s by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for KPMG Al Fozan & Partners

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for Aldar Audit Bureau
Abdullah AlBasri & Co

Waheed Gazzaz
Certified Public Accountant
Licence No. 247



Jeddah, Kingdom of Saudi Arabia
8 Jumada Al Awal 1437H
Corresponding to 17 Februar 2016



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

STATEMENT OF FINANCIAL POSITION

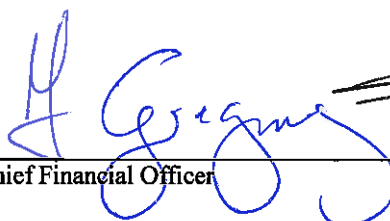
As at 31 December 2015

	<i>Notes</i>	<i>2015</i> SR'000	<i>2014</i> SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	205,565	1,384,281
Murabaha deposits	5	3,047,529	1,213,027
FVIS investments	6	185,143	189,968
Premiums receivable - net	7	749,449	598,687
Reinsurer's share of unearned premiums	14	900	39,733
Reinsurer's share of outstanding claims	15	3,012	13,432
Prepayments and other assets	8	91,483	70,815
Deferred policy acquisition costs	9	78,415	56,601
Total insurance operations' assets		4,361,496	3,566,544
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	593,297	462,569
Murabaha deposits	5	500,000	44,730
FVIS investments	6	439,785	454,578
Other receivables	8	3,563	1,746
Furniture, fixtures and equipment	10	77,167	60,667
Goodwill	3	98,000	98,000
Statutory deposit	11	80,000	40,000
Total shareholders' assets		1,791,812	1,162,290
TOTAL ASSETS		6,153,308	4,728,834

Chairman



Chief Financial Officer



Director and Chief Executive Officer



The accompanying notes 1 to 35 form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2015

	<i>Notes</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	14	2,890,679	2,383,358
Outstanding claims	15	1,054,369	812,530
Reinsurance balance payable	13	-	3,253
Accrued expenses and other liabilities	16	262,149	263,468
Obligation under Long-Term Incentive Plan (LTIP)	20	-	22,754
Total insurance operations' liabilities		4,207,197	3,485,363
Insurance operations' surplus			
Policyholders' share of accumulated surplus from insurance operations		154,299	81,181
Total insurance operations' liabilities and accumulated surplus		4,361,496	3,566,544
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	16	50,494	42,398
Accrued Zakat and income tax	18	42,577	23,903
Amount due to related parties	12	32,201	44,490
Total shareholders' liabilities		125,272	110,791
Shareholders' equity			
Share capital	19	800,000	400,000
Statutory reserve	21	277,761	148,746
Share based payments	20	9,600	-
Shares held under employees share scheme	20	(13,101)	-
Retained earnings		592,280	502,753
Total shareholders' equity		1,666,540	1,051,499
Total shareholders' liabilities and equity		1,791,812	1,162,290
TOTAL LIABILITIES, INSURANCE OPERATIONS' ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		6,153,308	4,728,834

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

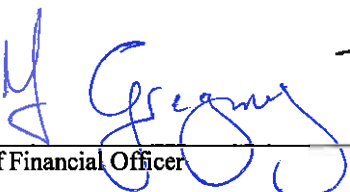
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
REVENUE			
Gross written premiums		7,328,016	5,740,449
Premiums ceded to reinsurers		(42,464)	(81,807)
Net written premiums		<u>7,285,552</u>	<u>5,658,642</u>
Movement in net unearned premiums	14	(546,154)	(1,063,567)
Net earned premiums		<u>6,739,398</u>	<u>4,595,075</u>
CLAIMS			
Gross claims paid		5,007,697	3,289,128
Claims recovered		(48,910)	(2,833)
Net claims paid		<u>4,958,787</u>	<u>3,286,295</u>
Movement in net outstanding claims	15	252,259	362,710
Net claims incurred		<u>5,211,046</u>	<u>3,649,005</u>
Net underwriting result		<u>1,528,352</u>	<u>946,070</u>
EXPENSES			
Selling and marketing	22	(505,367)	(360,737)
General and administration	23	(318,774)	(289,543)
Investment and commission income	24	<u>26,261</u>	<u>18,844</u>
Other income	25	<u>704</u>	<u>12,635</u>
SURPLUS FROM INSURANCE OPERATIONS		<u>731,176</u>	<u>327,269</u>
Shareholders' share of surplus from insurance operations	2(ii)	(658,058)	(294,542)
Policyholders' share of surplus from insurance operations	2(ii)	<u>73,118</u>	<u>32,727</u>
Policyholders' share of accumulated surplus from insurance operations at beginning of the year		<u>81,181</u>	<u>48,454</u>
Policyholders' share of accumulated surplus from insurance operations at end of the year		<u><u>154,299</u></u>	<u><u>81,181</u></u>


Chairman


Chief Financial Officer


Director and Chief Executive Officer


The accompanying notes 1 to 35 form an integral part of these financial statements.

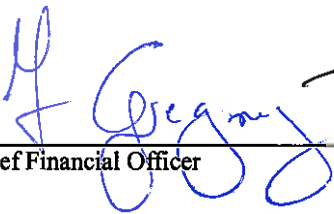
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
REVENUE			
Shareholders' share of surplus from insurance operations	2(ii)	658,058	294,542
EXPENSES			
General and administration	23	<u>(5,267)</u>	<u>(4,071)</u>
		652,791	290,471
Investment (loss) / income	24	<u>(7,714)</u>	<u>10,804</u>
Net income for the year		<u>645,077</u>	<u>301,275</u>
Weighted average number of ordinary shares outstanding (in thousands)	32	<u>79,981</u>	<u>79,796</u>
Basic and diluted earnings per share (in Saudi Arabian Riyals)	32	<u>8.07</u>	<u>3.78</u>


Chairman


Chief Financial Officer


Director and Chief Executive Officer


The accompanying notes 1 to 35 form an integral part of these financial statements.

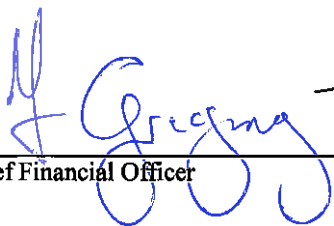
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Net income for the year		645,077	301,275
Other comprehensive income / (expense)			
<u>Items that will not be reclassified to statement of shareholders' operations</u>			
Provision for zakat	18	(13,602)	(10,419)
Reversal of prior year zakat provision during the year	18	-	26,323
Provision for income tax	18	(36,153)	(17,550)
Income tax recovered from non-Saudi shareholders during the year	29	23,220	6,182
Total comprehensive income for the year		618,542	305,811


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 35 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

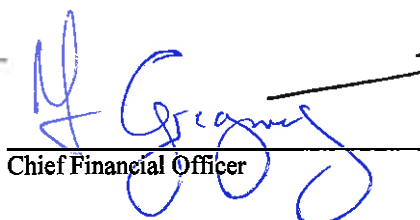
For the year ended 31 December 2015

	Notes	Share capital SR'000	Statutory 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 2014		400,000	148,746	--	--	502,753	1,051,499
Total comprehensive income							
Net income for the year		--	--	--	--	645,077	645,077
Provision for Zakat for the year	18	--	--	--	--	(13,602)	(13,602)
Provision for income tax for the year	18	--	--	--	--	(36,153)	(36,153)
Income tax recovered from non-Saudi shareholders	29	--	--	--	--	23,220	23,220
Transfer to statutory reserve	21	--	129,015	--	--	(129,015)	--
Transactions with owners of the Company							
Bonus shares issue	19	400,000	--	--	--	(400,000)	--
Purchase of shares under LTIP	20	--	--	--	(13,101)	--	(13,101)
Provision for LTIP	20	--	--	9,600	--	--	9,600
Balance at 31 December 2015		<u>800,000</u>	<u>277,761</u>	<u>9,600</u>	<u>(13,101)</u>	<u>592,280</u>	<u>1,666,540</u>

	Notes	Share capital SR'000	Statutory reserve SR'000	Shares held under employees' share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2013		400,000	88,491	(7,052)	249,621	731,060
Total comprehensive income						
Net income for the year		--	--	--	301,275	301,275
Provision for Zakat for the year	18	--	--	--	(10,419)	(10,419)
Reversal of prior year zakat provisions during the year	18	--	--	--	26,323	26,323
Provision for income tax for the year	18	--	--	--	(17,550)	(17,550)
Income tax recovered from non-Saudi shareholders	29	--	--	--	6,182	6,182
Transfer to statutory reserve	21	--	60,255	--	(60,255)	--
Transactions with owners of the Company						
Dividends	29	--	--	--	(20,000)	(20,000)
Purchase of shares under LTIP	20	--	--	(3,761)	--	(3,761)
Sale of shares held under LTIP	20	--	--	10,813	--	10,813
Gain on sale of shares held under LTIP	20	--	--	--	27,576	27,576
Balance at 31 December 2014		<u>400,000</u>	<u>148,746</u>	<u>--</u>	<u>502,753</u>	<u>1,051,499</u>



Chairman



Chief Financial Officer



Director and Chief Executive Officer


The accompanying notes 1 to 35 form an integral part of these financial statements.

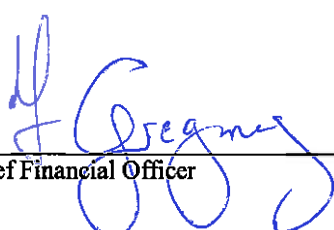
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
OPERATING ACTIVITIES			
Policyholders' share of surplus for the year		73,118	32,727
Adjustments for:			
Depreciation	23	14,341	12,216
Allowance for doubtful premiums receivable - net	7	38,571	25,626
Realised (gain) on investments	6	(7,031)	(1,979)
Unrealised loss / (gain) on investments	6	6,184	(3,860)
		<u>125,183</u>	<u>64,730</u>
Changes in operating assets and liabilities:			
Premiums receivable		(189,333)	(214,218)
Prepayments and other assets		(20,668)	(42,923)
Unearned premiums		507,321	1,060,289
Reinsurer's share of unearned premiums		38,833	3,278
Deferred policy acquisition costs		(21,814)	(9,923)
Outstanding claims	15	241,839	362,434
Reinsurer's share of outstanding claims	15	10,420	276
Due from shareholders' operations		(14,341)	(12,216)
Reinsurance balances payable		(3,253)	2,748
Accrued expenses and other liabilities		(1,319)	184,355
Obligation under Long-Term Incentive Plan		(22,754)	8,003
Net cash from operating activities		<u>650,114</u>	<u>1,406,833</u>
INVESTING ACTIVITIES			
Purchase of FVIS investments	6	(418,557)	(1,013,262)
Proceeds from disposal of FVIS investments	6	421,821	1,015,240
Income received during the year	6	2,408	-
Proceed from Murabaha deposit matured during the year	5	1,637,352	1,795,361
Placement in Murabaha deposits	5	(3,471,854)	(2,052,158)
Net cash used in investing activities		<u>(1,828,830)</u>	<u>(254,819)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(1,178,716)</u>	<u>1,152,014</u>
Cash and cash equivalents at beginning of the year	4	<u>1,384,281</u>	<u>232,267</u>
Cash and cash equivalents at end of the year	4	<u>205,565</u>	<u>1,384,281</u>


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 35 form part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
OPERATING ACTIVITIES			
Net income for the year		645,077	301,275
Adjustment for:			
Share based payment expense	20	9,600	--
Realised (gain) on investments	6	(3,588)	(8,240)
Unrealised loss / (gain) on investments	6	18,381	(168)
Employee End of service benefit expense	16	12,276	11,841
Loss on disposal of furniture, fixtures and equipment		230	--
		<u>681,976</u>	<u>304,708</u>
Employee end of service benefits paid	16	(4,330)	(931)
		<u>677,646</u>	<u>303,777</u>
Changes in operating assets and liabilities:			
Other receivables		(1,817)	(427)
Accrued expenses and other liabilities		150	69
Amounts due to related parties		(12,289)	(15,000)
Due to insurance operations		14,341	12,216
		<u>678,031</u>	<u>300,635</u>
Zakat and income tax paid	18	(31,081)	(12,743)
Net cash from operating activities		<u>646,950</u>	<u>287,892</u>
INVESTING ACTIVITIES			
Purchase of furniture, fixtures and equipment		(31,088)	(29,824)
Proceeds from disposal of furniture, fixtures and equipment		17	--
Purchase of investments	6	--	(127,676)
Proceeds from disposal of investments	6	--	127,844
Increase in statutory deposit		(40,000)	--
Proceed from Murabaha deposit matured during the year	5	44,730	416,177
Placement in Murabaha deposits	5	(500,000)	(333,914)
Purchase of shares held under LTIP	20	(13,101)	(3,761)
Proceeds from partial sale of shares held under LTIP	20	--	38,389
Net cash (used in) / from investing activities		<u>(539,442)</u>	<u>87,235</u>
FINANCING ACTIVITIES			
Dividends paid	29	--	(20,000)
Tax recovered from non-Saudi shareholders	29	23,220	6,182
Net cash from / (used in) financing activities		<u>23,220</u>	<u>(13,818)</u>
Net increase in cash and cash equivalents		<u>130,728</u>	<u>361,309</u>
Cash and cash equivalents at beginning of the year	4	<u>462,569</u>	<u>101,260</u>
Cash and cash equivalents at end of the year	4	<u>593,297</u>	<u>462,569</u>
Non-cash information			
Zakat and income tax charged to comprehensive income		<u>49,755</u>	<u>1,646</u>

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 35 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 ORGANISATION 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-Khalediyah District,
Prince Saud Al Fasiyal Street,
In front of the Saudi Airlines Cargo Building,
P.O. Box 23807,
Jeddah 21436,
Kingdom of Saudi Arabia.

Following are the details of the Company’s Branches and Commercial Registration numbers:

Branch	Commercial Registration Numbers:
Riyadh	1010274696
Khobar	2051041274
Khamis Mushayt	5855036547
Tabuk	3550026191
Jubail	2055023792

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 1428 H (corresponding to 11 September 2007) pursuant to the Council of Ministers’ Resolution No 279 dated 28 Shabaan 1428 H (corresponding to 10 September 2007). The Company was listed on the Saudi Stock Exchange (Tadawul) on 17 May 2008. 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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) BASIS OF MEASUREMENT

These financial statements are prepared under going concern basis and historical cost convention except for the measurement of fair value through income statement (FVIS) investments at fair value. The Company presents its statements of financial position broadly in order of liquidity. The Company does not present Statement of Comprehensive Income for Insurance Operations as Insurance Operations does not have any other comprehensive income / expenses. All financial assets and liabilities except for statutory deposit, are expected to be recovered and settled respectively within twelve months after the reporting date.

ii) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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. As per 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/>

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders’ operations.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) STATEMENT OF COMPLIANCE (continued)

In accordance with Article 70 of the Saudi Arabian Monetary Agency (SAMA) Implementing Regulations, the Company proposes to distribute, subject to 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.

iii) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency. All financial information presented in SR has been rounded to the nearest thousand except where indicated otherwise.

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2014 except for the new and amended standards and interpretations adopted which are effective for annual period beginning on or after 1 January 2015. The new standards, amendments to standards and interpretation which are effective for annual periods beginning after 1 January 2015 as mentioned in note 2(vi) have not had a significant effect on the financial statements of the Company. The significant accounting policies used in preparing these financial statements are set out below:

a) Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, reinsurance share of outstanding claim, statutory deposit, investments and other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, obligation under Long-Term Incentive Plan ("LTIP"), policyholders' share of surplus from insurance operations, amounts due to related parties and certain other liabilities.

Date of recognition

Regular way sale and purchase of financial instruments is recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales are purchases or sales of financial instruments that require settlement of instrument within the time frame generally established by regulation or convention in the market place.

Measurement of financial instruments

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through statement of income, any directly attributable incremental costs of acquisition or issue. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Subsequent to initial measurement, financial instruments are carried at amortised cost except for FVIS investments which are carried at fair value.

b) Cash and cash equivalents

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

c) Murabaha deposits

Murabaha deposits, with original maturity of more than three months, are initially recognized in the statement of financial position at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment in value.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments are classified as at fair value through income statement if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in income statement as incurred. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of insurance operations and accumulated surplus or statement of shareholders' operations.

e) Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Allowance for uncollectible amount is established when there is objective evidence that Company will not be able to collect all amounts due according to their original terms. Bad debts are written off as incurred. Subsequent recoveries of amounts previously written off are credited in Statement of insurance operations and accumulated surplus as other income.

f) Policy acquisition costs

Commission to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. The deferred policy acquisition costs are subsequently deferred and amortised over the terms of the insurance contracts as premiums are earned and reported under selling and marketing expense.

g) 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 statement of shareholders' operations. Impairment losses relating to goodwill cannot be reversed in future periods.

h) Furniture, fixtures and equipment

Furniture, fixtures and equipment are initially recorded in the statement of financial position 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:

	<u>Years</u>
Furniture, fixtures and office equipment	3 to 5
Computer applications	4 to 7
Motor vehicles	4

Residual values, useful lives and the method of depreciation are reviewed and adjusted if 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 statement of insurance operations and accumulated surplus on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations and accumulated surplus.

Expenditure for repairs and maintenance is charged to the statement of insurance operations and accumulated surplus. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Gain / loss on sale of furniture, fixtures and equipment are included in statement of shareholder's operations.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision created.

j) Accounts payable and accruals

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

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 amount of the obligation.

l) Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. The charge for the period is transferred to the statement of insurance operations and accumulated surplus on an actual basis.

m) Long-Term Incentive Plan (LTIP)

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 date at which the entity and 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 cost of equity-settled transactions is recognised, together with a corresponding increase in equity as a reserve for 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 Company's best estimate of the number of equity instruments that will ultimately vest. The statement of insurance operations and accumulated surplus charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In cases, where an award is forfeited (i.e. when the vesting conditions relating to award are not satisfied), the Company reverses the expense relating to such awards previously recognized in the statement of insurance operations and accumulated surplus.

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.

n) Shares held under employee share scheme

The Company purchases shares held under employee share scheme to hedge itself against adverse changes in fair value of its shares between grant date and date these shares are transferred to employees. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as shares held under employee share scheme and are presented in the statement of changes in shareholders' equity. When shares held under employee share scheme are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Impairment of financial assets

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. If such evidence exists, any impairment loss is recognised in the statement of insurance operations and accumulated surplus or the statement of shareholders' operations. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing a significant financial difficulty, default or delinquency in repayments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Impairment is determined as follows:

- (a) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (b) for assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

p) Impairment of non-financial assets

The Company 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 Company 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.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property previously revalued and where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 Company 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 reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill, if any, are not reversed in future periods.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) 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;
- the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

Financial liability

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

r) Revenue recognition

Premiums earned

The Company only issues short-term insurance contracts for providing health care services ('medical insurance') in Saudi Arabia. Premiums are taken to income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognised over the period of risk.

Investment and commission income

Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on Murabaha deposits is recognised using the effective interest method.

s) Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

t) Claims

Claims, comprising amounts payable to contract holders and third parties, net of prompt payment discounts and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company estimates its claims based on previous experience. In addition a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

v) Reinsurance contracts held

In order to minimise financial exposure from large claims the Company enters into reinsurance agreements with internationally reputable reinsurers. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contracts. These amounts, if any, are shown as "Reinsurers' share of outstanding claims" in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from/(to) reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

w) Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion and advertisements as well as any allowance for doubtful debts and regulatory levies. All other expenses are classified as general and administration expenses.

x) Segmental reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

y) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

z) Foreign currencies

The accounting records of the Company 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 either the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the 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 insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

bb) Cash dividend to shareholders

The Company recognises a liability to make cash distributions to shareholders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and SAMA. A corresponding amount is recognised directly in equity.

cc) Zakat and income tax

Under Saudi Arabian Zakat and Income Tax laws, zakat and income tax are the liabilities of the Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the zakat regulations. Income tax is computed on the foreign shareholders' share of net income for the year. Additional amounts payable, if any, at the finalization of final assessments are accounted for when claim for such amounts are accepted by the Company. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders. Income tax charged to the retained earnings, in excess to the proportion of the Saudi Shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

No adjustments are made in the financial statements to account for the effect of deferred income taxes since zakat and income tax are the liabilities of the shareholders in the Kingdom of Saudi Arabia.

v) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

a) 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 year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b) Premium deficiency reserve

Estimation of premium deficiency for medical insurance 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 also the independent actuary, consider the claims and premiums relationship which is expected to apply on month to month basis, and ascertain, at the end of the financial period, whether a premium deficiency reserve is required.

c) Allowance for doubtful 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.

d) 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 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 write-offs in the statement of insurance operations and accumulated surplus.

e) Useful lives of furniture, fixtures and equipment

The Company's management determines the estimated useful lives of its furniture, fixtures and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

f) 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.

g) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

vi) 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):

Standard /

Interpretation Description

IAS 19	Amendments to IAS 19: the amendment provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
IFRS 1	Amendments to IFRS 1 First time adoption of IFRS: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
IFRS 2	Amendments to IFRS 2 Share-Based Payment: the amendment to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
IFRS 3	Amendments to IFRS 3 Business Combinations: amendment to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
IFRS 8	Amendments to IFRS 8 Operating Segments: amendment requiring explicitly disclosure of judgments made by management in applying aggregation criteria.
IFRS 13	Amendments to IFRS 13 Fair Value Measurement: amendment to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
IAS 16 and IAS 38	Amendments to IAS 16 "Property plant and equipment" and IAS 38 "intangible assets": amendments to clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
IAS 24	Amendments to IAS 24 Related Party Disclosures: the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
IAS 40	Amendments to IAS 40 Investment Property: amendments to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

vii) NEW IFRS AND AMENDMENTS THEREOF, ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company 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, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from annual periods beginning on or after the following date</u>
IAS 1	Amendments to IAS 1 Disclosure Initiative	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception	1 January 2016
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture Bearer plants	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016

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

3 GOODWILL

On 31 December 2008, the Company 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 the Saudi Arabian Monetary Agency ("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.

In accordance with the requirements of International Financial Reporting Standards, the management of the Company carried out an impairment test in respect of the abovementioned goodwill. The recoverable amount of the operations has been determined based on value in use. The two key assumptions used in the test are the discount rate and estimated future cash flows from the business.

An average discount rate of 8% was used to discount future cash flows.

Budget EBTIDA growth rate in the range of 12%-13% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.

Using the above rates, the recoverable amount based on value in use was higher than the carrying value; hence no impairment loss on goodwill is required to be recognised in 2015.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Cash in banks (see note 6 (a))	205,565	1,384,281
	<u><u> </u></u>	<u><u> </u></u>
<i>Shareholders' Operations</i>		
Cash in banks (see note 6 (a))	593,297	462,569
	<u><u> </u></u>	<u><u> </u></u>

5 MURABAHA DEPOSITS

The murabaha deposits are held with commercial banks. These murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity from three months to one year.

The movements in the murabaha deposits during the year ended 31 December 2015, and 31 December 2014, are as follows:

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Balance at beginning of the year	1,213,027	956,230
Matured during the year	(1,637,352)	(1,795,361)
Placed during the year	3,471,854	2,052,158
	<u><u> </u></u>	<u><u> </u></u>
Balance at end of the year	3,047,529	1,213,027
	<u><u> </u></u>	<u><u> </u></u>
<i>Shareholders' Operations</i>		
Balance at beginning of the year	44,730	126,993
Matured during the year	(44,730)	(416,177)
Placed during the year	500,000	333,914
	<u><u> </u></u>	<u><u> </u></u>
Balance at end of the year	500,000	44,730
	<u><u> </u></u>	<u><u> </u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

6 FVIS INVESTMENTS

Insurance operations

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

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Investment in discretionary portfolio	147,863	151,483
Sukuks issued by government controlled entity	37,280	38,485
	185,143	189,968

The discretionary portfolio is invested in securities issued by corporates, financial institutions and government entities in the Kingdom of Saudi Arabia and are denominated in Saudi Arabian Riyals and US Dollars. The movements in FVIS investments of insurance operations, during the years ended 31 December 2015 and 31 December 2014, was as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Balance at beginning of the year	189,968	186,107
Purchased during the year	418,557	1,013,262
Disposed during the year	(421,821)	(1,015,240)
Income received during the year	(2,408)	-
Realised gain during the year	7,031	1,979
Unrealised (loss) / gain during the year	(6,184)	3,860
Balance at end of the year	185,143	189,968

Shareholder operations

The FVIS investments of Shareholders' Operations comprise of discretionary portfolio amounting to SR 439,785 thousand which is invested in securities issued by financial institutions, government entities, and mutual funds in the Kingdom of Saudi Arabia. These investments are denominated in Saudi Arabian Riyals and US Dollars.

The movements in FVIS investments of shareholders operations, during the years ended 31 December 2015 and 31 December 2014, were as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Balance at beginning of the year	454,578	446,338
Purchased during the year	--	127,676
Disposed during the year	--	(127,844)
Realised gain during the year	3,588	168
Unrealised (loss) / gain during the year	(18,381)	8,240
Balance at end of the year	439,785	454,578

- a) Amounts payable to/receivable from shareholders' operations are settled by transfer of cash of an equivalent amount representing fair value between the operations at each reporting date. During the year ended 31 December 2015, the insurance' operations transferred cash of SR 600.5 million (2014: SR 276.9 million) to the shareholders' operations

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

7 PREMIUMS RECEIVABLE - NET

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurances operations</i>		
Gross premiums receivable	863,715	676,545
Allowance for doubtful premiums receivable	(114,266)	(77,858)
Premiums receivable – net	<u>749,449</u>	<u>598,687</u>

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

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	77,858	52,550
Provision made during the year (note 22)	38,571	25,626
Utilised during the year	(2,163)	(318)
Balance at end of the year	<u>114,266</u>	<u>77,858</u>

The age analysis of unimpaired premiums receivable arising from insurance contracts is as follows:

	<i>Past due but not impaired</i>				<i>Total</i>
	<i>Neither past due nor impaired</i>	<i>Above three and up to six months</i>	<i>Above six and up to twelve months</i>	<i>Above twelve months</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
31 December 2015	469,274	183,486	78,068	18,621	749,449
31 December 2014	354,341	197,831	36,224	10,291	598,687

Unimpaired receivables are estimated, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

8 PREPAYMENTS AND OTHER ASSETS

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Prepayments	28,717	30,805
Accrued income	27,897	15,421
Restricted deposit (refer note 30 (b))	17,121	23,384
Other receivables	17,748	1,205
	<u>91,483</u>	<u>70,815</u>
<i>Shareholders' Operations</i>		
Other receivables	3,563	1,746

9 DEFERRED POLICY ACQUISITION COSTS

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	56,601	46,678
Paid and accrued during the year	174,313	172,282
Amortisation for the year	(152,499)	(162,359)
Balance at end of the year	<u>78,415</u>	<u>56,601</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

10 FURNITURE, FIXTURES AND EQUIPMENT

	<i>Furniture, Fixtures and office equipment SR'000</i>	<i>Computer applications SR'000</i>	<i>Motor vehicles SR'000</i>	<i>Capital work in progress SR'000</i>	<i>Total SR'000</i>
Shareholders' Operations					
Cost:					
At 1 January 2014	51,771	62,759	212	-	114,742
Additions during the year	15,694	5,991	-	8,139	29,824
Transfers	(4,241)	4,241	-	-	-
At 1 January 2015	63,224	72,991	212	8,139	144,566
Additions during the year	6,116	12,680	-	12,292	31,088
Disposal during the year	(405)	-	-	-	(405)
At 31 December 2015	68,935	85,671	212	20,431	175,249
Accumulated depreciation:					
At 1 January 2014	24,659	46,939	85	-	71,683
Charge for the year (see note (a) below)	4,155	8,008	53	-	12,216
Transfers	(2,442)	2,442	-	-	-
At 1 January 2015	26,372	57,389	138	-	83,899
Charge for the year (see note (a) below)	5,584	8,704	53	-	14,341
Disposal during the year	(158)	-	-	-	(158)
At 31 December 2015	31,798	66,093	191	-	98,082
Net book value:					
At 31 December 2015	37,137	19,578	21	20,431	77,167
At 31 December 2014	36,852	15,602	74	8,139	60,667

a) As the furniture, fixtures and equipment are used for the benefit of insurance operations, the depreciation is charged to the statement of insurance operations and accumulated surplus.

11 STATUTORY DEPOSIT

	<i>2015 SR'000</i>	<i>2014 SR'000</i>
Shareholders' Operations		
Statutory deposit	80,000	40,000

As required by Saudi Arabian 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. During the fourth quarter of 2015, the Company increased the statutory deposit to SR 80 million, as required following the increase in capital. Commission accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

12 TRANSACTIONS WITH RELATED PARTIES

In addition to transactions disclosed in notes 6, 26 and 27, following are the details of related party transactions during the year and the related balance at the end of the year:

<i>Related party</i>	<i>Nature of transaction</i>	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	34,465	30,528
Shareholders	Premiums ceded (see note (a) below)	2,669	74,858
Shareholders	Claims paid	10,629	7,085
Shareholders	Medical cost charged by a providers (see note (b) below)	751	609
Shareholders	Public relations services (see note (c) below)	-	168
Shareholders	Expenses recharged to a related party (see note (d) below)	5,519	2,517
Bupa Middle East Holdings Two W.L.L. (Affiliate)	Trade mark fee (see note 17)	16,948	11,505
Board Member (related party)	Shariah review services (see note e below)	150	150

- a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the Company's customers. The reinsurer's share of unearned premiums and outstanding claims as at 31 December 2015 is SR 900 thousand (2014:SR 39.7 million) and SR 3,012 thousand (2014: SR 13.4 million) respectively. As at 31 December 2015, reinsurance premium payable to related party was SR 15.5 million (2014: SR 33.2 million).
- b) These related parties are hospital providers where any of the Company's entitled customers, and their qualified members, can use the facilities of the related parties. The Company makes payments for all the medical costs of all its contracts, to these provider related parties, in accordance with the normal contractual terms of agreement. During 2014, one of the related parties sold its holding in the Company and therefore was no longer a related party as of 31 December 2014. The estimated payable to the related parties, for medical cost payments as of 31 December 2015, amounted to SR 295 thousand.
- c) One of the shareholder's owns forty-five percent stake holding in TRACCS, a public relations company, which provided public relations services to the company until 2014.
- d) Certain employees of the Company, during the year ended 31 December 2015, worked on a project owned by one of the shareholders of the Company. As a result, the related costs of these employees, for the year worked on the project, were recharged to the related party amounting to SR 5,519 thousand which was settled during the year (31 December 2014: SR 2,517 thousand).
- e) One of the Board members owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia for the provision of Shariah review services.
- f) Amount due to related parties are disclosed in the statement of financial position. There are no premium receivables as at 31 December 2015 and 2014

13 REINSURANCE BALANCES PAYABLE

Reinsurance payable represents amounts payable to reinsurers SR: Nil (2014: SR 3 million), based in France and Germany, for the excess of loss (XOL) reinsurance contract.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

14 MOVEMENT IN NET UNEARNED PREMIUMS

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance Operations</i>		
Unearned premium at end of the year	(2,890,679)	(2,383,358)
Unearned premium at beginning of the year	<u>2,383,358</u>	<u>1,323,069</u>
Movement in unearned premium (refer note (a) below)	<u>(507,321)</u>	<u>(1,060,289)</u>
Reinsurer's share of unearned premium at end of the year	900	39,733
Reinsurer's share of unearned premium at beginning of the year	<u>(39,733)</u>	<u>(43,011)</u>
Movement in reinsurer's share of unearned premium (see note (b) below)	<u>(38,833)</u>	<u>(3,278)</u>
Movement in net unearned premium	<u>546,154</u>	<u>(1,063,567)</u>

a) Movement in unearned premium comprises of the following:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Gross premium written during the year	(7,328,016)	(5,740,449)
Gross premium earned during the year	<u>6,820,695</u>	<u>4,680,160</u>
	<u>(507,321)</u>	<u>(1,060,289)</u>

b) Movement in reinsurer's share of unearned premium comprises of the following:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Reinsurance premium ceded during the year	42,464	78,529
Reinsurance premium expensed during the year	<u>(81,297)</u>	<u>(81,807)</u>
	<u>(38,833)</u>	<u>(3,278)</u>

15 MOVEMENT IN OUTSTANDING CLAIMS

Net movement in outstanding claims, during the year is as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance Operations</i>		
Gross outstanding claims at end of the year	1,054,369	812,530
Gross outstanding claims at beginning of the year	<u>(812,530)</u>	<u>(450,096)</u>
	<u>241,839</u>	<u>362,434</u>
Reinsurer's share of outstanding claims at end of the year	(3,012)	(13,432)
Reinsurer's share of outstanding claims at beginning of the year	<u>13,432</u>	<u>13,708</u>
	<u>10,420</u>	<u>276</u>
Movement in net outstanding claims	<u>252,259</u>	<u>362,710</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Accrued expenses	166,706	128,977
Advances from policyholders	53,232	109,648
Other liabilities	42,211	24,843
	262,149	263,468
<i>Shareholders' Operations</i>		
Accrued expenses	2,422	2,272
Employees' end of service benefits (see note (a) below)	48,072	40,126
	50,494	42,398

(a) The movements in the employees' end of service benefits provision during the year was as follows:

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	40,126	29,216
Charged during the year	12,276	11,841
Paid during the year	(4,330)	(931)
Balance at end of the year	48,072	40,126

As the services of the employees are with respect to the insurance operations, the charge for the year is charged to the statement of insurance operations and accumulated surplus.

17 TRADE MARK FEE

During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. Accordingly, a sum of SR 16.9 million (2014: SR 11.5 million) payable to a related party has been accrued for in these financial statements (see note 22).

18 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The Zakat charge relating to the Saudi shareholders consists of:

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Provision for the year	12,696	6,767
Adjustment for the previous year	906	3,652
Charge for the year	13,602	10,419

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

18 ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

The Zakat payable by the Company has been calculated in accordance with Zakat regulations in Saudi Arabia. The Zakat provision for the year is based on the following:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Share capital	295,000	295,000
Opening retained earnings, reserve and surplus	540,352	285,093
Opening provisions	87,013	60,302
Adjusted net income	507,856	270,672
Furniture, fixtures and equipment and goodwill	(111,734)	(107,098)
Investments	(3,049,563)	(1,402,948)
Others	(29,500)	(30,721)
	(1,760,576)	(629,700)
Adjusted income for the year (see note below)	688,619	367,013
Zakat base	688,619	367,013
Attributable to Saudi shareholders and the general public @ 73.75%	507,856	270,672

The differences between the financial and the "Zakatable" results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

The movements in the Zakat provision during the year were as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Balance at beginning of the year	12,529	31,324
Charge for the year	13,602	10,419
Reversal of prior years' provisions during the year	-	(26,323)
Payment made during the year	(6,386)	(2,891)
Balance at end of the year	19,745	12,529

b) Income tax

Charge for the year

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Income tax charge for the year	36,153	17,550

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

18 ZAKAT AND INCOME TAX (continued)

b) Income tax (continued)

The movements in the income tax provision during the year were as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Balance at beginning of the year	11,374	3,676
Charge for the year	36,153	17,550
Payment made during the year	(24,695)	(9,852)
Balance at end of the year	22,832	11,374

c) Accrued zakat and income tax

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Zakat payable (note (a) above)	19,745	12,529
Income tax payable (note (b) above)	22,832	11,374
	42,577	23,903

d) Status of assessments

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 2014 with the Department of Zakat and Income Tax (the "DZIT").

The Company has received assessments for the fiscal periods 2008 through 2012 raising additional demands in respect of zakat, income tax, withholding tax and fines for delays aggregating to SR 26.6 million, principally in respect of disallowance of FVIS investments as a deduction from the Zakat base. The Company has also received initial assessments for the periods 2013 through 2014 raising additional demands aggregating to SR 13.4 million on similar items. The Company has filed an appeal against these assessments and the final conclusions from the DZIT are awaited.

During 2014, the Company reversed Zakat provision, relating to prior years, aggregating to SR 26.3 million as management believed that the provisions were no longer required and that no further amounts are expected to be paid for those years to the DZIT, to which the reversal provisions related.

During 2014, the Company has also filed an appeal for the fiscal periods 2008 through 2013 with the DZIT relating specifically to the DZIT treatment of the statutory deposit and the cooperative distribution.

19 SHARE CAPITAL

The share capital of the Company is SR 800 million divided into 80 million shares of SR 10 each (2014: SR 40 million shares of SR 10 each) and subscribed by the following:

	Percentage holding	<i>2015</i> <i>SR'000</i>	Percentage holding	<i>2014</i> <i>SR'000</i>
Major shareholders	52.5%	420,000	52.5%	210,000
General public	47.5%	380,000	47.5%	190,000
	100.0%	800,000	100.0%	400,000

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

19 SHARE CAPITAL (continued)

As at 31/12/2015, as was the case at 31/12/2014, the majority shareholders of Bupa Arabia for Cooperative Insurance Company are: Bupa Investments Overseas Limited (BIOL), which owns 26.25% (21 million shares) and following subsidiaries of Nazar Holding Company namely Nazer Holding Company 9.00% (7.2 million shares), Modern Computer Programs Company 9.00% (7.2 million shares) and ASAS Healthcare Company 8.25% (6.6 million) shares. Collectively these subsidiaries of Nazer Holding Company own 26.25% (21 million shares) of the share capital of the Company.

The Board of Directors of the Company recommended, in their meeting held on 24 August 2015, to the General Assembly, an increase in share capital subject to receiving all the required approvals of the relevant authorities and thereafter the shareholders. The recommendation was for a capital increase, from SR400 million to SR800 million, representing an increase of SR400 million, through the issuing of 1 bonus share for every 1 share held, increasing the number of shares from 40 million shares to 80 million shares, representing an increase of 40 million shares, through the utilization of SR400 million of the Company's existing retained earnings. The Company received approval from the Saudi Arabian Monetary Agency (SAMA) and the Capital Market Authority (CMA) in respect of the proposed increase in share capital on 14 September 2015 and 8 October 2015 respectively. The shareholders approved this capital increase as well as the related changes in the By-laws of the Company, in their Extraordinary general assembly meeting held on 7 December 2015, and which was announced on, and the new bonus shares capital issued by, Tadawul on 8 December 2015. The final formalities in respect of the updating of the Articles of Association and the Commercial Registration of the Company were completed in January 2016.

20 LONG-TERM INCENTIVE PLAN (LTIP)

During 2010, the Company introduced a Long-Term Incentive Plan (LTIP), for its senior executives, which was designed to reward them for their role in the achievement of the Company's long-term objectives and three year plan targets. During 2014, after obtaining the related internal and regulatory approvals, the Company terminated this plan and disposed of the shares held, and recorded the obligation equivalent to the 2014 annual LTIP cash entitlement, at 31 December 2014. These LTIP obligations were partially settled during the first quarter 2015, as per the rules of the LTIP scheme, following the required internal approval.

During 2015, the Company completed the required approvals for the launching of a new LTIP scheme, which is entirely an equity settled shares based plan, and, during the second quarter of 2015, received the required external regulatory clearance for this new LTIP scheme.

The purpose of the new LTIP scheme remains 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.

As the new LTIP scheme is entirely shares based the company accounts for the LTIP as an equity settled share based transaction under which the approved participants will receive a certain number of 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. For this purpose, the Bupa Arabia shares are already purchased by an investment broker, currently NCB Capital. As a result, the LTIP shares were purchased during the second half of 2015, outside of any CMA prohibition period.

Since the LTIP shares reward is only of shares, and under no circumstances will any LTIP participant ever receive settlement of the LTIP shares entitlement in any form other than shares; the cost of the entitlement reflects management's estimate of the cost of the number of equity instruments expected to vest at each reporting date and shall be revised in future periods, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the Company shall ensure it has an LTIP reserve equal to the number of equity instruments that are ultimately vested.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

20 LONG-TERM INCENTIVE PLAN (LTIP) (continued)

Any additional shares received in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, associated with the Bupa Arabia shares held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of the LTIP participants, due to the Company distributing any dividends, whether in the form of "bonus shares", or any other form, or due to the Company processing a "Share Split", are accumulated in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account and transferred proportionately to the participants, in accordance with their share award per the shares held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, after vesting.

At the end of the vesting period, the Nomination and Remuneration Committee (N&RC) will approve the extent to which the performance conditions have been met and how many of the performance shares will vest and be released to the participants. The N&RC will approve that the Company can proceed to transfer the relevant specific employees' shares entitlement from the shares held in the Bupa Arabia "Bupa Employees Long Term Incentive" regular shares portfolio account to the respective individual LTIP participants' own personal share portfolio accounts, following the confirmation of instruction of the separate individual LTIP participant's instructions and confirmations of their respective individual personal share portfolio accounts' bank and share portfolio account numbers. Any surplus shares, arising from not all the shares being vested, as per the rules of this LTIP scheme, i.e. from awards that have been forfeited and therefore retained by Bupa Arabia, will be held and accounted for as part of the process of the funding of the next cycle.

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 grant date of 32,110 shares and 18,993 shares is 23 July 2015 and 26 November 2015 respectively and the grant date fair value per share is SR 277 and SR 221 respectively.

During the year the shareholders of the Company approved the issuance of 1 bonus share for every 1 share held in their Extraordinary general assembly meeting held on 7 December 2015. The participants will each be entitled to one bonus share for each performance share vested and released to participant at the end of vesting period. Following the issuance of the bonus shares, during December 2015, a total of 102,206 Bupa Arabia shares are being held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of the LTIP participants.

The cost of the plan is recognized over the period during which the vesting conditions are fulfilled. 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 statement of insurance operation and accumulated surplus for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The total expense recognised for employees' services received under the LTIP is charged to the statement of insurance operations and is included in the 'employee costs' with a corresponding increase in statement of changes in shareholders' equity, as per IFRS 2 'Share Based Payments'.

21 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to one hundred percent of the paid up share capital. Accordingly, during the year, the Company has transferred SR 129.02 million (2014: SR 60.26 million) to the statutory reserve. The statutory reserve level of SR 277.76 million represents 34.7% of the paid up share capital (2014: SR 148.74 million represented 37.2%).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

22 SELLING AND MARKETING EXPENSES

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Employee costs	105,491	74,621
Marketing expenses	49,381	18,687
Fulfilment costs	12,217	11,098
Commission expenses	161,798	118,489
Statutory levies	109,920	86,107
Trade mark fee (see note 17)	16,948	11,505
Allowance for doubtful premiums receivable (note 7)	38,571	25,626
Others	11,041	14,604
	505,367	360,737

23 GENERAL AND ADMINISTRATION EXPENSES

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Employee costs	236,529	211,018
Repairs and maintenance costs	19,472	19,021
Travelling expenses	12,073	11,629
Depreciation (see note 10 (a))	14,341	12,216
Communication expenses	9,536	4,053
Others	26,823	31,606
	318,774	289,543
<i>Shareholders' Operations</i>		
Board expenses (see note 27)	1,544	1,361
Corporate Social Responsibility (CSR) expenses	2,516	1,488
Others	1,207	1,222
	5,267	4,071

24 INVESTMENT AND COMMISSION INCOME

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
- Profit on murabaha deposits	25,414	13,005
- Realized / unrealised gain on investments – net (refer note 6)	847	5,839
	26,261	18,844
<i>Shareholder operations</i>		
- Profit on murabaha deposits	7,079	2,396
- Realized / unrealised (loss) / gain on investments – net (refer note 6)	(14,793)	8,408
	(7,714)	10,804

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

25 OTHER INCOME

Other income includes an amount of SR Nil (2014: SR 12.6 million) related to health consultancy support.

26 INFORMATION RELATING TO KEY MANAGEMENT PERSONNEL

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Compensation to key management personnel:		
Short-term benefits	18,205	15,693
Long-term benefits	5,548	7,309
	<u>23,753</u>	<u>23,002</u>

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

27 BOARD OF DIRECTORS' REMUNERATION AND RELATED EXPENSES

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Board of Directors' remuneration	1,020	1,020
Board attendance fees	117	96
Other board and sub-committees expenses	407	245
	<u>1,544</u>	<u>1,361</u>

- a) Board of Directors' remuneration is paid in accordance with the By-laws of the Company.
- b) Board attendance fees represent allowances for attending board meetings and sub-committee meetings.
- c) Other board and sub-committee expenses include fees of non-board members for attending committee meetings and other related sub-committee expenses.

28 SEGMENT INFORMATION

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

28 SEGMENT INFORMATION (continued)

Segment assets do not include cash and cash equivalents, murabaha deposits, FVIS investments and prepayments and other assets. Segment liabilities do not include reinsurance balances payable, accrued expenses and other liabilities, obligations under LTIP 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 year ended 31 December 2015</i>		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
Gross written premiums	4,433,449	2,894,567	7,328,016
Premiums ceded	(26,938)	(15,526)	(42,464)
Net written premiums	4,406,511	2,879,041	7,285,552
Movement in net unearned premiums	(347,751)	(198,403)	(546,154)
Net earned premiums	4,058,760	2,680,638	6,739,398
Claims paid	3,157,391	1,850,306	5,007,697
Claims recovered	(33,253)	(15,657)	(48,910)
Net claims paid	3,124,138	1,834,649	4,958,787
Movement in net outstanding claims	133,327	118,932	252,259
Net claims incurred	3,257,465	1,953,581	5,211,046
Net underwriting result	801,295	727,057	1,528,352
Unallocated income			26,965
Unallocated expenses			(824,141)
Surplus from insurance operations			731,176

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

28 SEGMENT INFORMATION (continued)

	<i>For the year ended 31 December 2014</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Gross written premiums	3,614,640	2,125,809	5,740,449
Premiums ceded	(78,947)	(2,860)	(81,807)
Net written premiums	3,535,693	2,122,949	5,658,642
Movement in net unearned premiums	(683,726)	(379,841)	(1,063,567)
Net earned premiums	2,851,967	1,743,108	4,595,075
Gross claims paid	2,000,675	1,288,453	3,289,128
Claims recovered	(1,654)	(1,179)	(2,833)
Net claims paid	1,999,021	1,287,274	3,286,295
Movement in net outstanding claims	299,147	63,563	362,710
Net claims incurred	2,298,168	1,350,837	3,649,005
Net underwriting result	553,799	392,271	946,070
Unallocated income			31,479
Unallocated expenses			(650,280)
Surplus from insurance operations			327,269

	<i>As at 31 December 2015</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Insurance operations' assets			
Premiums receivable - net	418,246	331,203	749,449
Reinsurer's share of unearned premiums	--	900	900
Reinsurer's share of outstanding claims	2,672	340	3,012
Deferred policy acquisition costs	58,105	20,310	78,415
Unallocated assets	--	--	3,529,720
Total			4,361,496
Insurance operations' liabilities and surplus			
Unearned premiums	1,675,344	1,215,335	2,890,679
Outstanding claims	653,640	400,729	1,054,369
Unallocated liabilities and surplus	--	--	416,448
Total			4,361,496

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

28 SEGMENT INFORMATION (continued)

	<i>As at 31 December 2014</i>		
	Major SR '000	Non-major SR '000	Total SR '000
Insurance operations' assets			
Premiums receivable - net	364,505	234,182	598,687
Reinsurer's share of unearned premiums	39,733	-	39,733
Reinsurer's share of outstanding claims	13,432	-	13,432
Deferred policy acquisition costs	41,642	14,959	56,601
Unallocated assets	-	-	2,858,091
Total			3,566,544
Insurance operations' liabilities and surplus			
Unearned premiums	1,397,684	985,674	2,383,358
Outstanding claims	535,171	277,359	812,530
Unallocated liabilities and surplus	-	-	370,656
Total			3,566,544

29 DIVIDENDS

On 7 May 2014, the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2013, of SR 0.5 per share totalling SR 20 million to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 5 June 2014 (Corresponding to 7 Shaban 1435H). Accordingly, the dividend payment was made on 25 June 2014 and the Saudi shareholders were paid their dividend in full.

During 2015, as a result of there being no dividend paid, related to the period ended 31 December 2014, the amount settled by the non-Saudi shareholders, for zakat and income tax equalisation, was SR 23.22 million whereas, during 2014, as a result of the level of dividend and zakat and income tax equalisation, the non-Saudi shareholders paid to the Company an amount of SR 6.18 million.

30 COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments:

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2015 SR '000	2014 SR '000
Within one year	10,611	10,611
After one year but no more than five years	37,765	42,446
More than five years	11,289	17,220
	59,665	70,277

b) As at 31 December 2015, performance guarantees amounting to SR 17.1 million (2014: SR 23.4 million) were issued to the customers on behalf of the Company. The Company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees.

c) In addition to above, contingencies in respect of Zakat and income tax assessments of Company are disclosed in note 18(d) to these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's Board authorised risk appetite parameters.

Audit committee

The Audit Committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

Internal audit

All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk is the risk that actual claims payable to policyholders in respect of past insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The Company only issues short-term contracts in connection with medical risks.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is primarily concentrated in Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers and a large population is covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

The Company's underwriting strategy is designed to ensure that risks are well diversified through product diversity between individual and corporate health insurance, level of insured benefits, variety of claim type exposures across diverse medical providers, clinics, individual hospitals and hospital groups, the use of medical screening in order to ensure that pricing takes account of current health conditions, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the annual closing position claims reserves are adequate.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Insurance risk (continued)

Key assumptions

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The estimated ultimate loss ratio was determined using actuarial methods, as far as applicable, and was also reviewed by the independent actuary.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve, if applicable and required as per the result of the liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable. The details of estimation of the outstanding claims and premium deficiency reserves are given under Notes 2(v).

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income.

	Change in assumptions	Increase / (decrease) in net liabilities	Decrease / (increase) in insurance operations and accumulated surplus
Ultimate loss ratio – Insurance Operations			
2015	± 5%	± 336,970	± 336,970
2014	± 5%	± 229,754	± 229,754

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is effected under excess-of-loss (XOL) reinsurance contracts. For any claim above SR 200 thousand and contingent on the policyholders' plan limit, the XOL reinsurance covers losses per claim between SR 200 thousand and SR 500 thousand. All other claims are borne and paid by the Company. In compliance with SAMA guidelines on reinsurance, all reinsurance companies are minimally rated A by international rating agencies. Reinsurance contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

The credit risk exposure in respect of reinsurers' share of outstanding claims is SR 3 million (2014: SR 13.43 million) (see note 15) and in respect of reinsurance balances receivable is SR 15.6 million (2014: SR 10 thousand).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Regulatory framework risk

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

Capital management (solvency) risk

Capital requirements are set and regulated by the SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing the risk of 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 risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust any possible amount of dividends paid to shareholders or raise new capital through the Saudi stock market.

As required by Saudi Arabian Insurance Regulations (Article 66 of the Implementation Regulations issued by SAMA), the Company is required to maintain a minimum solvency margin equivalent to the highest of: minimum capital requirement, premium solvency margin or claims solvency margin. As at 31 December 2015, the Company's solvency level is in excess of the minimum solvency margin required by the Saudi Arabian Insurance Regulations.

The following information summarizes the minimum regulatory capital of the Company:

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Minimum regulatory capital	<u><u>1,166,761</u></u>	<u><u>905,383</u></u>

Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, the statutory deposit, investments, cash and cash equivalents, Murabaha deposits, outstanding claims and certain other assets and liabilities.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are market price risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, as summarised below.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Insurance Operations and Shareholders' Operations are exposed to market risk with respect to their investments classified as FVIS. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and perform regular monitoring of developments in related markets. In addition, the key factors that affect stock and bond market movements are monitored, including analysis of the operational and financial performance of investees.

A 5% change in the value of investments with all other variables held constant, would impact the Insurance Operations and Shareholders' Operations by SR 9.2 million (2014: SR 9.5 million) and SR 22 million (2014: SR 22.7 million) respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its Murabaha deposits and investment in Sukuk.

The Company places deposits which are realisable within three months to one year, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated. Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

Insurance Operations

	2015			Total
	SR '000			
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>No fixed maturity</i>	
Murabaha deposits	<u>1,075,637</u>	<u>1,971,892</u>	<u>-</u>	<u>3,047,529</u>

	2014			Total
	SR '000			
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>No fixed maturity</i>	
Murabaha deposits	<u>423,734</u>	<u>789,293</u>	<u>-</u>	<u>1,213,027</u>

Shareholders' Operations

	2015			Total
	SR '000			
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>No fixed maturity</i>	
Murabaha deposits	<u>125,000</u>	<u>375,000</u>	<u>-</u>	<u>500,000</u>

	2014			Total
	SR '000			
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>No fixed maturity</i>	
Murabaha deposits	<u>44,730</u>	<u>-</u>	<u>-</u>	<u>44,730</u>

The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective commission rates for the commission bearing financial instruments, at 31 December, were as follows:

	2015	2014
Insurance operations		
Saudi Riyal denominated murabaha deposits	1.64%	0.64%
Shareholders' operations		
Saudi Riyal denominated murabaha deposits	2.15%	0.28%

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Financial risk (continued)

Commission rate risk (continued)

The Company had no deposits in currencies other than Saudi Riyal.

The following information demonstrates the sensitivity of statement of insurance operations and accumulated surplus and statement of shareholders' operations to possible changes in commission rates, with all other variables held constant.

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance operations</i>		
<i>Saudi Riyals:</i>		
Increase in commission rates by 100 basis points	30,475	12,130
Decrease in commission rates by 100 basis points	(30,475)	(12,130)
<i>Shareholders' operations</i>		
<i>Saudi Riyals:</i>		
Increase in commission rates by 100 basis points	5,000	447
Decrease in commission rates by 100 basis points	(5,000)	(447)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, as the Company primarily deals in Saudi Riyals and United States Dollars, which is pegged to Saudi Riyals.

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 Company seeks to limit its credit risk with respect to customers by following the Company's credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premiums receivable. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated A above).

The following table shows the maximum exposure to credit risk by class of financial asset.

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
<i>Insurance' Operations</i>		
Cash and cash equivalents	205,565	1,384,281
Murabaha deposits	3,047,529	1,213,027
FVIS investments	185,143	189,968
Premiums receivable – net	749,449	598,687
Reinsurer's share of outstanding claims	3,012	13,432
Other receivables	17,748	1,205
	4,208,446	3,400,600

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Shareholders' Operations</i>		
Cash and cash equivalents	593,297	462,569
Murabaha deposits	500,000	44,730
FVIS investments	439,785	454,578
Other receivables	3,563	1,746
Statutory deposit	80,000	40,000
	1,616,645	1,003,623

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

Insurance operations' financial assets

	<i>Investment grade</i>	<u>Non-investment grade</u>		<i>Total</i>
		<i>Satisfactory</i>	<i>Past due but not impaired</i>	
Cash and cash equivalents	205,565	-	-	205,565
Murabaha deposits	3,047,529	-	-	3,047,529
FVIS investments	185,143	-	-	185,143
Premiums receivable – net	-	469,274	280,175	749,449
Reinsurer's share of outstanding claims	3,012	-	-	3,012
Other receivables	-	17,746	-	17,746
December 31, 2015	3,441,249	487,020	280,175	4,208,444
Cash and cash equivalents	1,384,281	-	-	1,384,281
Murabaha deposits	1,213,027	-	-	1,213,027
FVIS investments	189,968	-	-	189,968
Premiums receivable – net	-	354,341	244,346	598,687
Reinsurer's share of outstanding claims	13,432	-	-	13,432
Other receivables	-	1,205	-	1,205
December 31, 2014	2,800,708	355,546	244,346	3,400,600

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

Shareholders' operations' financial assets

	<i>Investment grade</i>	<u>Non-investment grade</u>		<i>Total</i>
		<i>Satisfactory</i>	<i>Past due but not impaired</i>	
Cash and cash equivalents	593,297	-	-	593,297
Murabaha deposits	500,000	-	-	500,000
FVIS investments	439,785	-	-	439,785
Other receivable	-	3,563	-	3,563
Statutory deposit	80,000	-	-	80,000
December 31, 2015	1,613,082	3,563	-	1,616,645
	<i>Investment grade</i>	<i>Satisfactory</i>	<i>Past due but not impaired</i>	<i>Total</i>
Cash and cash equivalents	462,569	-	-	462,569
Murabaha deposits	44,730	-	-	44,730
FVIS investments	454,578	-	-	454,578
Other receivable	-	1,746	-	1,746
Statutory deposit	40,000	-	-	40,000
December 31, 2014	1,001,877	1,746	-	1,003,623

In respect of gross premiums receivable, the 5 largest accounts outstanding accounted for 14.4% of the closing gross premiums receivable balance of 31 December 2015 (2014 the 5 largest accounted for 18.9% of the closing gross premiums receivable). Gross written premium from one of the major customers of the Company amounts to 5% of Gross written premium by the Company of 2014.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

31 RISK MANAGEMENT (continued)

Unearned premiums have been excluded from the analysis as it is not contractual obligation. The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

<u>2015</u>	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Outstanding claims	1,054,369	-	1,054,369
Reinsurance balances payable	-	-	-
Accrued expenses and other liabilities	260,277	1,872	262,149
Obligation under LTIP	-	-	-
	<u>1,314,646</u>	<u>1,872</u>	<u>1,316,518</u>
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	2,422	48,072	50,494
Accrued zakat and income tax	42,577	-	42,577
Amount due to related parties	32,201	-	32,201
	<u>77,200</u>	<u>48,072</u>	<u>125,272</u>
TOTAL FINANCIAL LIABILITIES	<u><u>1,391,846</u></u>	<u><u>49,944</u></u>	<u><u>1,441,790</u></u>
<u>2014</u>	<i>Up to one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Outstanding claims	812,530	-	812,530
Reinsurance balances payable	3,253	-	3,253
Accrued expenses and other liabilities	261,812	1,656	263,468
Obligation under LTIP	22,754	-	22,754
	<u>1,100,349</u>	<u>1,656</u>	<u>1,102,005</u>
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	2,272	40,126	42,398
Accrued zakat and income tax	23,903	-	23,903
Amount due to related parties	44,490	-	44,490
	<u>70,665</u>	<u>40,126</u>	<u>110,791</u>
TOTAL FINANCIAL LIABILITIES	<u><u>1,171,014</u></u>	<u><u>41,782</u></u>	<u><u>1,212,796</u></u>

Liquidity profile

None of the financial liabilities on the statement of financial position are based on discounted cash flows 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 Company.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

32 EARNINGS PER SHARE

The earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares issued and outstanding at the year end. Diluted earnings per share are not applicable to the Company. The earnings per share for the previous year, of SR3.78 per share, has been calculated based on the weighted average number of shares in issue after the Capital increase, to 80,000,000 (eighty million) shares, as was approved during the Extraordinary general assembly meeting of its shareholders during the year, and the prior year earnings per share re-statement has been made in accordance with the relevant International Accounting Standards.

33 FAIR VALUES 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 fair values of financial instruments are not materially different from their carrying values. At 31 December 2015 and 31 December 2014, apart from the 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 December 2015 and 31 December 2014, all financial instruments which are fair valued are Level 2 instruments. The Company determines level 2 fair value of FVIS investments based on net asset value of investments at period end as communicated by Fund Manager. There were no transfers between levels during the years ended 31 December 2015 and 31 December 2014.

34 COMPARATIVES

Following amounts have been reclassified in order to conform with current year presentation.

<i>Financial statement line item</i>	From	To	Amount SR '000
Restricted deposits	Cash and cash equivalents	Prepayments and other assets	23,384

35 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 8 Jumada Al Awal 1437H, corresponding to 17 Februar 2016.