

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
31 DECEMBER 2017**

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

FINANCIAL STATEMENTS

For the year ended 31 December 2017

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”), which comprise the statement of financial position as at 31 December 2017, and the related statements of insurance operations and accumulated surplus, insurance operations comprehensive surplus, shareholders’ operations, shareholders’ comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes from 1 to 31.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) as modified by the Saudi Arabian Monetary Authority (“SAMA”) for the accounting of zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter is provided in that context:



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

Key Audit Matters (continued)

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Provisions for outstanding claims	<p>The provision for outstanding claims includes the balances related to reported claims, incurred but not reported claims and other reserves. The process of determining the provision for outstanding claims arising from insurance contracts is inherently complex, requiring judgement and actuarial expertise. Accordingly, this complexity arises from calculating the actuarial best estimate and the margin over best estimate using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.</p> <p>The Company also calculates its own estimate of the provision using standardised reserving methodology for comparing against the provision calculated by the independent actuary, and considers the impact of any significant differences.</p> <p>Due to the estimation uncertainty and subjectivity involved in the assessment of these provision for outstanding claims, we have considered this as a key audit matter.</p> <p>Please refer to notes 2,iv(t) for the accounting policy adopted by the Company and note 2,v(a) for the significant accounting judgements, estimates and assumptions involved in respect of initial recognition and subsequent measurement of claims. Also, refer note 15 for movement in outstanding claims.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none">• We inspected the claims reserving reports and evaluated the design and implementation of key controls over the provisioning process, including controls over completeness and accuracy of the data used for the provisions calculations. This data provides evidence over trends for outstanding claims and its related costs at the date of the financial statements which drive the assumptions for claims in current and preceding financial years. These assumptions include historical claims experience, claims cost inflation and seasonality trends.• We engaged our own actuarial specialists to evaluate and challenge the assumptions on current and future events used by the Company, as set out in the claims reserving reports, as well as comparing them to expectations based on the Company's historical experience, current trends and analysis.• We evaluated the appropriateness of sensitivities applied by the management towards assumptions affecting the adequacy of outstanding claims at the yearend.• We also assessed the appropriateness of the financial statements disclosures with respect to outstanding claims.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

Key Audit Matters (continued)

Key audit matter	Why considered most significant	How our audit addressed the key audit matter
Carrying value of goodwill in Insurance operations	<p>Goodwill impairment reviews within the insurance operations are complex and typically require a high level of judgement. The most significant judgement arises from the inherent uncertainty involved in forecasting future cash flows, the discount rate applied in calculating the present value of future cash flows and the expected terminal growth rate applied to the cash flows.</p> <p>Due to the complexity and high level of judgement involved in the impairment reviews for goodwill, we have considered this as a key audit matter.</p> <p>Please refer to note 2,iv(g) for accounting policy adopted by the Company in respect of initial recognition and subsequent measurement of goodwill. Also, refer note 3 for further details relating to goodwill.</p>	<p>Our audit procedures included an assessment of the cash flow forecasts and underlying assumptions, based on our understanding of the relevant business, sector and economic environment in which the Company operates. We compared forecasts to business plans and also previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We also compared the Company's assumptions to externally derived data as well as our own sector knowledge in relation to key inputs such as the projected cash flows for insurance operations, terminal growth rates, cost of inflation and discount rates; and applied sensitivities in evaluating the Company's assessments.</p> <p>Further, we assessed the adequacy of the disclosures over the goodwill impairment testing, including the disclosures regarding the sensitivity of the outcome of the impairment reviews to changes in key assumptions were appropriate.</p>



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Other Information included in the Company's 2017 Annual Report

The Board of Directors of the Company (the Directors) is responsible for the other information. Other information comprises the information included in the Company's 2017 annual report but does not include financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the Regulations for Companies, the Company's By-laws and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY(A SAUDI JOINT STOCK COMPANY)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies, the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

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

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

**for Ernst & Young
(Public Accountants)**

Ahmed I. Keda
Certified Public Accountant
Licence No. 356



Jeddah , Kingdom of Saudi Arabia
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Corresponding to 20 March 2018



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	<i>2017</i> SR'000	<i>2016</i> SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	110,384	132,030
Murabaha deposits	5	2,912,577	3,057,816
Investments	6	820,776	544,090
Premiums receivable - net	7	870,982	980,543
Reinsurer's share of unearned premiums	14	5,146	1,356
Reinsurer's share of outstanding claims	15	1,030	1,720
Prepayments and other assets	8	157,535	131,546
Deferred policy acquisition costs	9	71,076	72,281
Total insurance operations' assets		4,949,506	4,921,382
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	119,500	93,800
Murabaha deposits	5	1,032,806	987,494
Investments	6	900,914	714,330
Other receivables	8	12,993	17,445
Furniture, fixtures and equipment - net	10	133,497	90,945
Due from insurance operations		200,000	148,477
Goodwill	3	98,000	98,000
Accrued interest on statutory deposit	11	5,121	3,585
Statutory deposit	11	80,000	80,000
Total shareholders' assets		2,582,831	2,234,076
TOTAL ASSETS		7,532,337	7,155,458


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 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 2017

	<i>Notes</i>	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	14	3,091,079	3,094,990
Outstanding claims	15	1,341,536	1,321,622
Reinsurance balances payable	13	39,613	15,117
Accrued expenses and other liabilities	16	137,984	171,292
Due to shareholders' operations		200,000	148,477
Total insurance operations' liabilities		4,810,212	4,751,498
Insurance operations' surplus			
Policyholders' share of accumulated surplus from insurance operations		138,581	169,884
Fair value reserve for available-for-sale investment	6	713	--
Total insurance operations' liabilities and accumulated surplus		4,949,506	4,921,382
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	16	74,083	62,140
Accrued Zakat and income tax	18	148,704	116,953
Accrued interest on statutory deposit	11	5,121	3,585
Amounts due to related parties	12	33,586	24,344
Total shareholders' liabilities		261,494	207,022
Shareholders' equity			
Share capital	19	800,000	800,000
Statutory reserve	21	504,025	403,902
Fair value reserve for available-for-sale investments	6	(1,880)	--
Share based payments	20	17,220	16,931
Shares held under employees share scheme	20	(28,915)	(23,404)
Retained earnings		1,030,887	829,625
Total shareholders' equity		2,321,337	2,027,054
Total shareholders' liabilities and equity		2,582,831	2,234,076
TOTAL LIABILITIES, INSURANCE OPERATIONS' ACCUMULATED SURPLUS AND SHAREHOLDERS' EQUITY		7,532,337	7,155,458


Chairman


Director and Chief Executive Officer


Chief Financial Officer


The accompanying notes 1 to 31 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 2017

	<i>Notes</i>	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
REVENUE			
Gross written premiums	14	7,732,961	7,938,630
Premiums ceded to reinsurers	14	(68,348)	(67,459)
Net written premiums		<u>7,664,613</u>	<u>7,871,171</u>
Movement in net unearned premiums		7,701	(203,855)
Net earned premiums		<u>7,672,314</u>	<u>7,667,316</u>
CLAIMS			
Gross claims paid	15	6,428,617	5,944,793
Claims recovered	15	(44,218)	(34,893)
Net claims paid		<u>6,384,399</u>	<u>5,909,900</u>
Movement in net outstanding claims		20,604	268,545
Net claims incurred		<u>6,405,003</u>	<u>6,178,445</u>
Net underwriting result		<u>1,267,311</u>	<u>1,488,871</u>
EXPENSES			
Selling and marketing	22	(495,001)	(535,711)
General and administration	23	(368,083)	(379,490)
Investment and commission income	24	99,668	80,188
Other income		<u>24</u>	<u>91</u>
SURPLUS FROM INSURANCE OPERATIONS		<u>503,919</u>	<u>653,949</u>
Shareholders' share of surplus from insurance operations	2(ii)	(453,527)	(588,554)
Policyholders' share of surplus from insurance operations	2(ii)	<u>50,392</u>	<u>65,395</u>
Policyholders' share of accumulated surplus from insurance operations at beginning of the year		169,884	154,299
Distribution of surplus during the year		(81,695)	(49,810)
Policyholders' share of accumulated surplus from insurance operations at end of the year		<u>138,581</u>	<u>169,884</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

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


STATEMENT OF INSURANCE OPERATIONS COMPREHENSIVE SURPLUS

For the year ended 31 December 2017

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Net surplus for the year	50,392	65,395
<i>Other comprehensive surplus</i>		
<u>Items to be reclassified subsequently to the statement of insurance operations and accumulated surplus</u>		
Unrealised gains on available-for-sale investments	713	--
Total comprehensive surplus for the year	51,105	65,395


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 form an integral part of these financial statements.

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

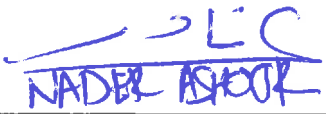
STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
REVENUE			
Shareholders' share of surplus from insurance operations	2(ii)	453,527	588,554
EXPENSES			
General and administration	23	(11,053)	(7,962)
		<u>442,474</u>	<u>580,592</u>
Investment and commission income	24	58,573	50,237
Other losses		(433)	(124)
Net income for the year		<u><u>500,614</u></u>	<u><u>630,705</u></u>
Weighted average number of ordinary shares outstanding (in thousands)	29	<u><u>79,783</u></u>	<u><u>79,826</u></u>
Basic and diluted earnings per share (in Saudi Arabian Riyals)	29	<u><u>6.27</u></u>	<u><u>7.90</u></u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 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 2017

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Net income for the year	500,614	630,705
<i>Other comprehensive income</i>		
<u>Items to be reclassified subsequently to the statement of shareholders' operations</u>		
Unrealised losses on available-for-sale investments	<u>(1,880)</u>	<u>--</u>
Total comprehensive income for the year	<u>498,734</u>	<u>630,705</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 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 2017

	Notes	Share capital SR'000	Statutory reserve SR'000	Fair value reserve for available-for-sale investments SR'000	Share based payment SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total shareholders' equity SR'000
Balance at 31 December 2016		800,000	403,902	--	16,931	(23,404)	829,625	2,027,054
Total comprehensive income								
Net income for the year		--	--	--	--	--	500,614	500,614
Unrealised fair value losses on available-for-sale investments		--	--	(1,880)	--	--	--	(1,880)
Transfer to statutory reserve	21	--	100,123	--	--	--	(100,123)	--
Transactions with owners of the Company								
Provision for Zakat for the year	18	--	--	--	--	--	(48,062)	(48,062)
Provision for income tax for the year	18	--	--	--	--	--	(31,167)	(31,167)
Dividend	26	--	--	--	--	--	(120,000)	(120,000)
Purchase of shares under LTIP	20	--	--	--	--	(5,511)	--	(5,511)
Provision for LTIP	20	--	--	--	289	--	--	289
Balance at 31 December 2017		800,000	504,025	(1,880)	17,220	(28,915)	1,030,887	2,321,337

	Notes	Share capital SR'000	Statutory reserve SR'000	Fair value reserve for available-for-sale investments SR'000	Share based payment SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total shareholders' equity SR'000
Balance at 31 December 2015		800,000	277,761	--	9,600	(13,101)	592,280	1,666,540
Total comprehensive income								
Net income for the period		--	--	--	--	--	630,705	630,705
Unrealised fair value gains on available-for-sale investments		--	--	--	--	--	--	--
Transfer to statutory reserve	21	--	126,141	--	--	--	(126,141)	--
Transactions with owners of the Company								
Provision for Zakat for the year	18	--	--	--	--	--	(102,160)	(102,160)
Provision for income tax for the year	18	--	--	--	--	--	(35,194)	(35,194)
Dividend	26	--	--	--	--	--	(160,000)	(160,000)
Income tax recovered from non-Saudi shareholders	12	--	--	--	--	--	31,304	31,304
Amount payable to foreign shareholders		--	--	--	--	--	(1,169)	(1,169)
Purchase of shares under LTIP	20	--	--	--	--	(10,303)	--	(10,303)
Provision for LTIP	20	--	--	--	7,331	--	--	7,331
Balance at 31 December 2016		800,000	403,902	--	16,931	(23,404)	829,625	2,027,054


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 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 2017

	<i>Notes</i>	<i>2017</i> SR'000	<i>2016</i> SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the year		50,392	65,395
Adjustments for:			
Distribution of surplus		(81,695)	(49,810)
Depreciation	10,23	16,827	14,561
Allowance for doubtful premiums receivable - net	7,22	3,718	35,326
Investment income		--	(2,379)
Realised (gains)/losses on investments	6	(3,559)	614
Unrealised (gains) on investments	6	(5,007)	(2,238)
Unearned premiums		(3,911)	204,311
Reinsurer's share of unearned premiums		(3,790)	(456)
Deferred policy acquisition costs		1,205	6,134
		(25,820)	271,458
Changes in operating assets and liabilities:			
Premiums receivable		105,843	(266,420)
Prepayments and other assets		(25,989)	(40,063)
Outstanding claims		19,914	267,253
Reinsurer's share of outstanding claims		690	1,292
Due to shareholders' operations		34,696	133,916
Reinsurance balances payable		24,496	15,117
Accrued expenses and other liabilities		(33,308)	(90,857)
Net cash from operating activities		100,522	291,696
INVESTING ACTIVITIES			
Purchase of investments	6	(958,724)	(504,582)
Proceeds from disposal of investments	6	691,317	149,638
Proceeds from Murabaha deposits matured during the year	5	3,057,816	4,709,070
Placement in Murabaha deposits	5	(2,912,577)	(4,719,357)
Net cash used in investing activities		(122,168)	(365,231)
Net decrease in cash and cash equivalents		(21,646)	(73,535)
Cash and cash equivalents at beginning of the year		132,030	205,565
Cash and cash equivalents at end of the year	4	110,384	132,030
<u>Non-cash transactions</u>			
Unrealised gain on available-for-sale investments		713	--


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 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 2017

	<i>Notes</i>	<i>2017</i> SR'000	<i>2016</i> SR'000
OPERATING ACTIVITIES			
Net income for the year		500,614	630,705
Adjustment for:			
Share based payment expense	20	289	7,331
Investment income		--	(3,750)
Realised (gains)/losses on investments	6	(8,257)	1,264
Unrealised (gains)/losses on investments		(7,289)	8,589
Employees end of service benefit expense	16	12,673	15,335
Loss on disposal of furniture, fixtures and equipment		433	124
		498,463	659,598
Changes in operating assets and liabilities:			
Other receivables		4,452	(15,754)
Accrued expenses and other liabilities		4,790	2,274
Amounts due to related parties		9,242	(9,026)
Due from insurance operations		(34,696)	(133,916)
		482,251	503,176
Employee end of service benefits paid	16	(5,520)	(4,091)
Zakat and income tax paid	18	(47,478)	(62,978)
Net cash from operating activities		429,253	436,107
INVESTING ACTIVITIES			
Purchase of furniture, fixtures and equipment	10	(59,820)	(28,498)
Proceeds from disposal of furniture, fixtures and equipment		8	35
Purchase of investments	6	(1,462,848)	(865,827)
Proceeds from disposal of investments	6	1,289,930	585,179
Proceed from Murabaha deposits matured during the year	5	987,494	1,670,104
Placement in Murabaha deposits	5	(1,032,806)	(2,157,598)
Purchase of shares held under LTIP	20	(5,511)	(10,303)
Net cash used in investing activities		(283,553)	(806,908)
FINANCING ACTIVITIES			
Dividends paid	26	(120,000)	(160,000)
Income tax recovered from foreign shareholders	12	--	31,304
Net cash used in financing activities		(120,000)	(128,696)
Net increase/(decrease) in cash and cash equivalents		25,700	(499,497)
Cash and cash equivalents at beginning of the year		93,800	593,297
Cash and cash equivalents at end of the year	4	119,500	93,800
Non-cash transactions			
Unrealised losses on available-for-sale investments		1,880	--
Zakat and income tax charged to retained earnings		79,229	137,354


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 31 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

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 their Commercial Registrations numbers:

Branch	Commercial Registration Numbers:
Riyadh	1010274696
Khobar	2051041274
Makkah	4031068486
Khamis Mushayt	5855036547
Jubail	2055023792
Jeddah	4030295596
Almadinah Almonawara	4650082035
Buraidah	1131057475
AIHasa	2252067566

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 Shabaaan 1428 H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaaan 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 statement of operations (FVIS) investments and available-for-sale investments (AFS) at fair value. The Company presents its statements of financial position broadly in order of liquidity. All financial assets and liabilities except for statutory deposit and the associated return/accrued return on statutory deposit and obligation under LTIP, are expected to be recovered and settled respectively within twelve months after the reporting date.

ii) STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB"). As per the SAMA Circular no. 381000074519 dated April 11, 2017 instead of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings. As the Company's accounting policy for zakat and tax has always been consistent with SAMA's new guidance, the adoption of the guidance has not resulted in any changes in the accounting policies, accounting treatment or amounts reported in the current or prior years.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

ii) STATEMENT OF COMPLIANCE (continued)

As required by Saudi Arabian Insurance Laws and 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 is a deficit, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company proposes to distribute, subject to 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.

iii) FUNCTIONAL AND PRESENTATIONAL 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 2016 except for the accounting policies related to available-for-sale investments and policy acquisition costs, new and amended standards and interpretations adopted which are effective for annual period beginning on or after 1 January 2017. The new standards, amendments to standards and interpretation which are effective for annual periods beginning after 1 January 2017 as mentioned in note 2(vi) have not had a significant effect on the financial statements of the Company. Also, certain comparative amounts have been reclassified to conform with current year's presentation. The significant accounting policies used in preparing these financial statements are set out below:

a) Investments

(i) Available-for-sale investments

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

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

(ii) Fair value through income statement 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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 acquisition costs are deferred and amortised over the terms of the insurance contract as premiums are earned and reported under selling and marketing expense in the statement of insurance operations and accumulated surplus. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus. Deferred policy acquisition costs are also considered in the liability adequacy test for each reporting year.

Due to the above, certain costs have been recorded as part of policy acquisition costs and accordingly deferred. The impact of this on the previous years was not significant to the financial statements.

c) 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, investments, premiums receivable, reinsurance share of outstanding claim, due from insurance operations, statutory deposit, other receivables. Financial liabilities consist of outstanding claims, reinsurance balances payable, due to shareholders' operations, 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 operations, 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 and AFS investments, which are carried at fair value.

d) 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.

e) 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, whereas deposits with maturities not exceeding three months are reported under cash and cash equivalents.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

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. Gains / losses on sale of furniture, fixtures and equipment are included in statement of shareholder's operations.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Share based payment

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)

At 31 December 2017

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, an 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)

At 31 December 2017

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; or
- 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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); and
- 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the shareholders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company with a corresponding amount is recognised directly in equity. A distribution is authorised when it is approved by the shareholders and SAMA.

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. 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 as per the SAMA guidance.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

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.

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 and reinsurance 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 receivable is impaired.

d) Deferred acquisition costs

Certain acquisition costs related to the sale of 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

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

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

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) Impairment of available-for-sale investments

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

The Company considers 30% or more, as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the statement of operations as impairment charge on investments. Prolonged decline represents decline below cost that persists for one year or longer irrespective of the amount and is, thus, recognized in the statement of insurance operations and accumulated surplus or statement of shareholders' operations accordingly as an impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the statement of insurance operations and accumulated surplus or statement of shareholders' operations accordingly. The Company reviews its debt securities classified as available-for-sale at each reporting date to assess whether they are impaired.

h) 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.

i) Impairment of Goodwill

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

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

At 31 December 2017

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):

<i><u>Standard/ Amendments</u></i>	<i><u>Description</u></i>
Amendments to IAS 7	Amendments to IAS 7, Statement of cash flows on disclosure initiative: Applicable for annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. These adoptions have no material impact on the financial statements other than certain additional disclosures.
IFRS 12	The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale or distribution. These amendments apply retrospectively. This amendment did not have any impact on the financial statements.

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.

<i><u>Standard/ Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance consideration.	1 January 2018
IFRS 1	Annual Improvements 2016 to IFRS 2014-2016 cycle.	1 January 2018
IAS 40	Amendments to IAS 40 Investment Property	1 January 2018
IAS 28	Long-term interests in associates and joint ventures	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 3, IAS 12 and IAS 23	Annual Improvements to IFRS 2015-2017 cycle	1 January 2019

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

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

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

IFRS 9 – ‘Financial Instruments’ implementation is expected to result in a significant portion of a Company’s financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income. Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in other comprehensive income, are expected to increase due to the introduction of the expected credit loss methodology. The Company will avail of the exemptions available to insurers and is considering deferring the implementation of IFRS 9 until a later date, but no later than 1 January 2021.

IFRS 15 – ‘Revenue from Contracts with Customers’ applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. The Company is currently assessing the implication and effects of adopting IFRS 15 and the management believe that adoption of IFRS 15 will not have a material impact on the Company’s financial statements.

IFRS 17 - ‘Insurance contracts’ was published on 18 May 2017 with the effective date of 1 January 2021. IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life and short-term life insurance contracts IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk, for which confidence level equivalent disclosure will be required. Further, IFRS 17 will change the presentation of insurance contract revenue, as gross written premium will no longer be presented in profit or loss. At the date of publication of these financial statements, it was not practicable to quantify what the potential impact would be on the financial statements once IFRS 17 will be adopted.

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 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 Company’s management has annually carried out an annual impairment test in respect of the abovementioned goodwill. The management conducted the impairment exercise for the year ended 31 December 2017. 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 as follows:

- An average discount rate of 10 % was used to discount future cash flows.
- Budget EBTIDA growth rate of 12-13% was used for the first three years. Thereafter, a growth rate of 3% was used in the terminal value calculation.

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

At 31 December 2017

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Cash in banks	<u>110,384</u>	<u>132,030</u>
<i>Shareholders' Operations</i>		
Cash in banks	<u>119,500</u>	<u>93,800</u>

At 31 December 2017, the Company issued performance guarantees to customers against margin deposits amounting to SR 32.68 million (31 December 2016: SR 15.68 million) placed with the banks. This restricted deposit has been included under prepayments and other assets.

Amounts payable to/receivable from shareholders' operations are settled by transfer of cash or an equivalent amount of assets (at fair value) between the operations at each reporting date. During the year ended 31 December 2017, the insurance operations transferred cash of SR 420.5 million (2016: SR 188.6 million) to the shareholders' operations.

5. MURABAHA DEPOSITS

The murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These deposits are predominately in murabaha deposits with a small allocation in Mudaraba. They are denominated in Saudi Arabian Riyals and have an original maturity of more than three months to one year and yield financial income at rates ranging from 2.15% to 4% per annum (2016: 2.75% to 4.15% per annum).

The movements in the murabaha deposits during the year ended 31 December 2017 and 31 December 2016, are as follows:

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Balance at beginning of the year	3,057,816	3,047,529
Matured during the year	(3,057,816)	(4,709,070)
Placed during the year	<u>2,912,577</u>	<u>4,719,357</u>
Balance at end of the year	<u>2,912,577</u>	<u>3,057,816</u>
<i>Shareholders' Operations</i>		
Balance at beginning of the year	987,494	500,000
Matured during the year	(987,494)	(1,670,104)
Placed during the year	<u>1,032,806</u>	<u>2,157,598</u>
Balance at end of the year	<u>1,032,806</u>	<u>987,494</u>

All the deposits which were placed in 2016 have matured during 2017 whereas the reinvested ones have maturity dates beyond 2017.

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

At 31 December 2017

6. INVESTMENTS

a) Insurance operations

Investments of the insurance operations comprise of the following:

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
FVIS investments (refer note (i) below)	411,441	544,090
Available-for-sale investments (refer note (ii) below)	409,335	--
	<u>820,776</u>	<u>544,090</u>

During the year, the Company carried out a detailed review of its investments portfolio with the objective of formulating and implementing a new investment policy, which was later endorsed by SAMA. As a result, the following changes were enacted by management.

<i>Type of investment</i>	<i>Rebalancing activity</i>	<i>Previous years' classification</i>	<i>New classification</i>	<i>Carrying value of security as at the rebalancing date SR'000</i>
Debt securities	Reclassification	FVIS (held for trading)	Available-for-sale	171,379
Debt securities	Disposal	FVIS (held for trading)	N/A	37,468

i) FVIS investments

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

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Mutual funds	379,416	300,437
Sukuks	32,025	243,653
	<u>411,441</u>	<u>544,090</u>

FVIS investments in sukuks comprise of the following:

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Floating rate Sukuks	25,025	132,530
Fixed rate Sukuks	7,000	111,123
	<u>32,025</u>	<u>243,653</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

6. INVESTMENTS (continued)

a) Insurance operations (continued)

ii) Available-for-sale investments

Available-for-sale investments of insurance operations comprise of the following:

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Mutual funds	37,501	--
Sukuks	371,834	--
	<u>409,335</u>	<u>--</u>

Available-for-sale investments in sukuks comprise of the following:

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Floating rate Sukuks	65,302	--
Fixed rate Sukuks	306,532	--
	<u>371,834</u>	<u>--</u>

The movements in the investments during the years ended 31 December 2017 and 31 December 2016 are as follows:

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Balance at beginning of the year	544,090	185,143
Purchased during the year	958,724	504,582
Disposed during the year	(691,317)	(149,638)
Income earned during the year, net	--	2,379
Realised gains/(losses) during the year	3,559	(614)
Unrealised gains during the year	5,720	2,238
Balance at end of the year	<u>820,776</u>	<u>544,090</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

6. INVESTMENTS (continued)

b) *Shareholders' operations*

Investments of shareholders' operations comprise of the following:

	2017 SR'000	2016 SR'000
FVIS investments (refer note (i) below)	495,966	714,330
Available-for-sale investments (refer note (ii) below)	404,948	--
	<u>900,914</u>	<u>714,330</u>

During the year, the Company has carried out a detailed review of its investment portfolio as explained in Note 6 (a) above, and as a result, following changes were enacted by management:

<i>Type of investment</i>	<i>Rebalancing activity</i>	<i>Previous year's classification</i>	<i>New classification</i>	<i>Carrying value of security as at the rebalancing date SR'000</i>
Debt securities	Reclassification	FVIS (held for trading)	Available-for-sale	143,525
Debt securities	Disposal	FVIS (held for trading)	N/A	112,404

i) *FVIS investments*

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

	2017 SR'000	2016 SR'000
Investments in discretionary portfolio	100,900	100,370
Mutual funds	299,987	251,887
Sukuks	95,079	362,073
	<u>495,966</u>	<u>714,330</u>

The discretionary portfolio of shareholders' operations is invested in following type of securities and investments at the yearend.

	2017 SR'000	2016 SR'000
Equities	97,983	92,277
Other assets, net	2,917	8,093
	<u>100,900</u>	<u>100,370</u>

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

At 31 December 2017

6. INVESTMENTS (continued)

b) *Shareholders' operations (continued)*

i) *FVIS investments (continued)*

FVIS investments in Sukuks comprise of the following:

	<u>2017</u> <u>SR'000</u>	<u>2016</u> <u>SR'000</u>
Floating rate Sukuks	76,079	219,307
Fixed rate Sukuks	19,000	142,766
	<u>95,079</u>	<u>362,073</u>

ii) *Available-for-sale investments*

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

	<u>2017</u> <u>SR'000</u>	<u>2016</u> <u>SR'000</u>
Sukuks	388,727	--
Other funds	16,221	--
	<u>404,948</u>	<u>--</u>

Available-for-sale investments in sukuks comprise of following:

	<u>2017</u> <u>SR'000</u>	<u>2016</u> <u>SR'000</u>
Floating rate Sukuks	225,464	--
Fixed rate Sukuks	163,263	--
	<u>388,727</u>	<u>--</u>

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

At 31 December 2017

6. INVESTMENTS (continued)

b) Shareholders' operations (continued)

The movements in the investments during the years ended 31 December 2017 and 31 December 2016 are as follows:

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	714,330	439,785
Purchased during the year	1,462,848	865,827
Disposed during the year	(1,289,930)	(585,179)
Income earned during the year, net	--	3,750
Realised gains/(losses) during the year	8,257	(1,264)
Unrealised gains/(losses) during the year	5,409	(8,589)
	<u>900,914</u>	<u>714,330</u>

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

7. PREMIUMS RECEIVABLE - NET

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurances operations</i>		
Gross premiums receivable	1,013,656	1,123,540
Allowance for doubtful premiums receivable	(142,674)	(142,997)
	<u>870,982</u>	<u>980,543</u>

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

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	142,997	114,266
Provision made during the year (note 22)	3,718	35,326
Utilised during the year	(4,041)	(6,595)
	<u>142,674</u>	<u>142,997</u>

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

At 31 December 2017

7. PREMIUMS RECEIVABLE - NET (continued)

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

	<i>Neither past due nor impaired SR'000</i>	<i>Past due but not impaired</i>			<i>Total SR'000</i>
		<i>Above three and up to six months SR'000</i>	<i>Above six and up to twelve months SR'000</i>	<i>Above twelve months SR'000</i>	
2017	611,323	148,423	93,397	17,839	870,982
2016	617,304	236,179	114,644	12,416	980,543

Premium receivable includes an amount of SR 0.2 Million (2016: SR 2.1 Million) due from related parties (see note 12).

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>2017 SR'000</i>	<i>2016 SR'000</i>
<i>Insurance Operations</i>		
Prepayments	37,993	40,118
Accrued income	60,466	44,425
Restricted deposit (refer note 4)	32,683	15,676
Other receivables	26,393	31,327
	<u>157,535</u>	<u>131,546</u>
<i>Shareholders' Operations</i>		
Other receivables	12,993	17,445
	<u>12,993</u>	<u>17,445</u>

9. DEFERRED POLICY ACQUISITION COSTS

	<i>2017 SR'000</i>	<i>2016 SR'000</i>
Balance at beginning of the year	72,281	78,415
Paid and accrued during the year	150,436	151,171
Amortisation for the year	(151,641)	(157,305)
	<u>71,076</u>	<u>72,281</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

10. FURNITURE, FIXTURES AND EQUIPMENT- NET

	<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 2016	68,935	85,671	212	20,431	175,249
Additions during the year	4,376	8,677	--	15,445	28,498
Disposals during the year	(353)	--	--	--	(353)
At 1 January 2017	72,958	94,348	212	35,876	203,394
Additions during the year	1,987	9,588	--	48,245	59,820
Disposal during the year	(573)	--	--	--	(573)
Transferred during the year	1,002	10,657	--	(11,659)	--
At 31 December 2017	75,374	114,593	212	72,462	262,641
Accumulated depreciation:					
At 1 January 2016	31,798	66,093	191	--	98,082
Charge for the year**	5,908	8,632	21	--	14,561
Disposals during the year	(194)	--	--	--	(194)
At 1 January 2017	37,512	74,725	212	--	112,449
Charge for the year**	6,477	10,350	--	--	16,827
Disposal during the year	(132)	--	--	--	(132)
At 31 December 2017	43,857	85,075	212	--	129,144
Net book value:					
At 31 December 2017	31,517	29,518	--	72,462	133,497
At 31 December 2016	35,446	19,623	--	35,876	90,945

* Capital work in progress represents the construction works being performed on the Company's building and IT projects under development.

** 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>2017 SR'000</i>	<i>2016 SR'000</i>
Shareholders' Operations		
Statutory deposit	80,000	80,000

As required by Saudi Arabian Insurance Laws and Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 80 million in a bank account designated by SAMA. 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
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

12. TRANSACTIONS WITH RELATED PARTIES

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

Following are the details of the major 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>Amount of transactions</i>		<i>Receivable/(payable) balance as at</i>	
		<i>Year ended</i>	<i>Year ended</i>	<i>31 December</i>	<i>31 December</i>
		<i>31 December</i>	<i>31 December</i>	<i>2017</i>	<i>2016</i>
		<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Insurance Operations					
Shareholders	Gross written premiums	29,884	29,145	226	2,156
Shareholders	Premium ceded	9,252	3,105	(13,096)*	(3,844)*
Shareholders	Claims paid	13,994	11,822	(1,118)	(763)
Shareholders	Medical costs charged by providers	1,237	779	(138)	(779)
Shareholders	Expenses recharged to/from a related party-net	284	1,397	--	--
Shareholders	Tax equalisation - net	--	31,304	(1,169)*	(1,169)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (refer note 17)	19,321	19,331	(19,321)*	(19,331)*
Board member (related party) **	Sharia review services	119	150	--	--

* Amounts due to related parties amounted to SR 33,586 thousand (2016: SR 24,344 thousand)

** Effective from 15 October 2017, the Board member is no longer a stakeholder in the Shariyah Review Bureau and the transactions presented are up to that specific date.

a. Information relating to key management personnel

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Compensation to key management personnel:		
Short-term benefits	20,099	19,054
Long-term benefits	5,234	7,929
	<u>25,333</u>	<u>26,983</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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2017

12. TRANSACTIONS WITH RELATED PARTIES (continued)

b. Board of Directors' remuneration and related expenses

	2017 SR'000	2016 SR'000
Board of Directors' remuneration (note (a) below)	2,900	2,900
Board attendance fees (note(b) below)	(96)	96
Other board and sub-committees expenses (note (c) below)	740	776
	<u>3,544</u>	<u>3,772</u>

- a) Board of Directors' remuneration is paid in accordance with the By-Laws of the Company, and the Board Member Remuneration Policy as approved by the public shareholders.
- b) Per the shareholder approved Board and Board Committee Member Remuneration policies no Board or Board Committee attendance fee allowances are paid/payable by the Company, and as a result the 2016 attendance fees were not paid as accrued during 2016 but were reversed during 2017.
- c) Other board and sub-committee expenses include fees of non-Board members for attending Board Committee meetings, in accordance with the Board Committee Member Remuneration Policy, as approved by the public shareholders, and also include other related Board/Board Committee meeting expenses incurred.

13. REINSURANCE BALANCES PAYABLE

Reinsurance payable represents amounts payable to reinsurers of SR 39.6 million (2016: SR 15.1 million), based in France and Germany, for the excess of loss (XOL) reinsurance contract.

14. MOVEMENT IN NET UNEARNED PREMIUMS

	2017			2016		
	Gross SR'000	Reinsurers' share SR'000	Net SR'000	Gross SR'000	Reinsurers' share SR'000	Net SR'000
Balance, January 1	3,094,990	(1,356)	3,093,634	2,890,679	(900)	2,889,779
Premiums written/(ceded) during the year	7,732,961	(68,348)	7,664,613	7,938,630	(67,459)	7,871,171
Premiums earned during the year	(7,736,872)	64,558	(7,672,314)	(7,734,319)	67,003	(7,667,316)
Balance, December 31	<u>3,091,079</u>	<u>(5,146)</u>	<u>3,085,933</u>	<u>3,094,990</u>	<u>(1,356)</u>	<u>3,093,634</u>

- a) Movement in unearned premium comprises of the following:

	2017 SR'000	2016 SR'000
Gross premium written during the year	(7,732,961)	(7,938,630)
Gross premium earned during the year	7,736,872	7,734,319
	<u>3,911</u>	<u>(204,311)</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

14. MOVEMENT IN NET UNEARNED PREMIUMS (continued)

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

	2017	2016
	SR'000	SR'000
Reinsurance premium ceded during the year	68,348	67,459
Reinsurance premium expensed during the year	(64,558)	(67,003)
	<u>3,790</u>	<u>456</u>

15. MOVEMENT IN OUTSTANDING CLAIMS

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

	2017			2016		
	Gross	Due from reinsurers	Net	Gross	Due from reinsurers	Net
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 1 January						
Represented by:						
Outstanding claims including incurred but not reported	1,302,333	(1,720)	1,300,613	1,038,445	(3,012)	1,035,433
Claims handling provision	19,289	--	19,289	15,924	--	15,924
	<u>1,321,622</u>	<u>(1,720)</u>	<u>1,319,902</u>	<u>1,054,369</u>	<u>(3,012)</u>	<u>1,051,357</u>
Claims (paid)/recovered	(6,428,617)	44,218	(6,384,399)	(5,944,793)	34,893	(5,909,900)
Claims incurred	6,448,531	(43,528)	6,405,003	6,212,046	(33,601)	6,178,445
	<u>1,341,536</u>	<u>(1,030)</u>	<u>1,340,506</u>	<u>1,321,622</u>	<u>(1,720)</u>	<u>1,319,902</u>
Balance, 31 December						
Balance at 31 December						
Represented by:						
Outstanding claims including incurred but not reported	1,322,247	(1,030)	1,321,217	1,302,333	(1,720)	1,300,613
Claims handling provision	19,289	--	19,289	19,289	--	19,289
	<u>1,341,536</u>	<u>(1,030)</u>	<u>1,340,506</u>	<u>1,321,622</u>	<u>(1,720)</u>	<u>1,319,902</u>
Total						

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2017

15 MOVEMENT IN OUTSTANDING CLAIMS (continued)

Claims Triangulation Analysis by treatment year

The following table reflects the estimated ultimate claims cost, including claims notified and incurred but not reported for each successive treatment year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier treatment years. In order to maintain adequate reserves, the Company transfers much of this release to the current treatment year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Treatment year – gross outstanding claims	2014	2015	2016	2017	Total
SR'000					
Estimate of ultimate claims cost:					
At the end of treatment year	3,687,583	5,399,170	6,319,929	6,577,919	
One year later	3,648,518	5,275,355	6,210,268	--	
Two years later	3,635,368	5,275,980	--	--	
Three years later	3,640,028	--	--	--	
Current estimate of ultimate claims	3,640,028	5,275,980	6,210,268	6,577,919	21,704,195
Ultimate payments to date	(3,637,971)	(5,269,221)	(6,175,522)	(5,299,234)	(20,381,948)
Liability recognized in statement of financial position	2,057	6,759	34,746	1,278,685	1,322,247
Claims handling provision					19,289
Balance 31 December					1,341,536
Treatment year – net outstanding claims	2014	2015	2016	2017	Total
SR'000					
Estimate of ultimate claims cost:					
At the end of treatment year	3,673,378	5,348,275	6,318,209	6,576,889	
One year later	3,648,451	5,275,355	6,210,269	--	
Two years later	3,635,368	5,275,980	--	--	
Three years later	3,640,028	--	--	--	
Current estimate of ultimate claims	3,640,028	5,275,980	6,210,269	6,576,889	21,703,166
Ultimate payments to date	(3,637,971)	(5,269,221)	(6,175,523)	(5,299,234)	(20,381,949)
Liability recognized in statement of financial position	2,057	6,759	34,746	1,277,655	1,321,217
Claims handling provision					19,289
Balance 31 December					1,340,506

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Accrued expenses	79,390	96,248
Advances from policyholders	36,004	35,903
Other liabilities	22,590	39,141
	<u>137,984</u>	<u>171,292</u>
<i>Shareholders' Operations</i>		
Accrued expenses	7,614	2,824
Employees' end of service benefits (see note (a) below)	66,469	59,316
	<u>74,083</u>	<u>62,140</u>

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

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	59,316	48,072
Charged during the year	12,673	15,335
Paid during the year	(5,520)	(4,091)
	<u>66,469</u>	<u>59,316</u>

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 19.3 million (2016: SR 19.3 million) payable to a related party has been accrued for in these financial statements (see note 12 and 22).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

18. ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

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>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Share capital	526,000	590,000
Opening retained earnings, reserve and surplus	732,144	523,655
Opening provisions	133,021	119,725
Adjusted net income	352,876	494,378
Furniture, fixtures and equipment and goodwill	(86,720)	(65,045)
Investments	(3,781,987)	(3,955,750)
Others	(117,035)	(131,275)
	<u>(2,241,701)</u>	<u>(2,424,312)</u>
Adjusted income attributable to Saudi shareholders and the general public (refer (*) below)	<u>352,876</u>	<u>494,378</u>

*As disclosed in note 19, during the current year, the shareholding attributable to Saudi shareholders and the general public has changed from 73.65% to 65.75%. Adjusted income has been computed on a pro-rata basis taken into consideration before and after shareholding change.

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

The Zakat charge relating to the Saudi shareholders consists of:

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Provision for zakat @ 2.5%	8,822	12,359
Adjustment for assessment of zakat	39,240	25,927
Adjustment for the previous years	--	63,874
Charge for the year	<u>48,062</u>	<u>102,160</u>

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

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	108,942	19,745
Charge for the year	48,062	102,160
Payment made during the year	(12,678)	(12,963)
Balance at end of the year	<u>144,326</u>	<u>108,942</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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18 ZAKAT AND INCOME TAX (continued)

b) Income tax

Charge for the year

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Income tax charge for the year	31,167	35,194

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

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at beginning of the year	8,011	22,832
Charge for the year	31,167	35,194
Payment made during the year	(34,800)	(50,015)
Balance at end of the year	4,378	8,011

c) Accrued zakat and income tax

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Zakat payable (note (a) above)	144,326	108,942
Income tax payable (note (b) above)	4,378	8,011
	148,704	116,953

d) Status of assessments

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 2016 with the General Authority of Zakat and Tax (the "GAZT").

The Company has received final assessments for the fiscal periods 2008 through 2012 and initial assessments for the periods 2013 and 2014 raising additional demands aggregating to SR 40 million, principally on account of disallowance of FVIS investments and statutory deposits from the Zakat base. The Company has filed appeals against these assessments with the GAZT. For the years 2011 and 2012, the Company has received Preliminary Objection Committee's decisions in favour of the GAZT for the additional zakat liability of SR 17 million and has filed appeal with the Higher Appeal Committee. The Company's management strongly believes in their stance and expects the decision to be received in their favour but has also accrued additional contingent provision for Zakat.

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

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

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19. SHARE CAPITAL

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

	Percentage holding	2017 SR'000	Percentage holding	2016 SR'000
Major shareholders	52.3%	418,710	52.5%	420,000
General public	47.7%	381,290	47.5%	380,000
	100.0%	800,000	100.0%	800,000

On 19 Ramadan 1438, corresponding 14 June 2017, after having received the required approvals, Bupa Investments Overseas Limited purchased 8% shareholding in Bupa Arabia from Nazer Group's ASAS Healthcare Company. Bupa Investments Overseas Limited now owns 34.25% and the Nazer Group owns 18.09%.

20. SHARE BASED PAYMENT

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2017

20. SHARE BASED PAYMENT (continued)

The LTIP transaction details are provided below:

<i>Month/Period</i>	<i>Number of shares delivered / (disposed) – net</i>	<i>The grant date fair value of the shares</i>	<i>Amount 2017 SR'000</i>
July 2015	32,110	277	8,901
November 2015	18,993	221	4,200
December 2015*	51,103	-	-
March 2016	92,669	115	10,693
March 2016	(2,814)	139	(390)
March 2017	(34,346)	139	(4,761)
March 2017	(6,825)	115	(788)
June 2017**	96,491	115	11,060
Total	247,381		28,915

- * During December 2015 the Company issued Bonus shares, one per each issued share, and as a result received an additional 51,103 LTIP shares.
** The LTIP Scheme, and the 2017-2019 LTIP cycle shares purchases, were formally approved by the shareholders in the Extraordinary General Assembly Meeting held on Monday 12 Shaban 1438, corresponding to 8 May 2017, in accordance with the new Saudi Arabia laws and regulation.

21. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to 100% of the paid up share capital. Accordingly, during the year, the Company has transferred SR 100.12 million (2016: SR 126.14 million) to the statutory reserve. The statutory reserve level of SR 504.02 million represents 63% of the paid up share capital (2016: SR 403.9 million represented 50.49%).

22. SELLING AND MARKETING EXPENSES

	<i>2017 SR'000</i>	<i>2016 SR'000</i>
Employees' costs	117,274	118,833
Marketing expenses	26,530	30,746
Fulfilment costs	10,472	11,203
Commission expenses	183,057	181,050
Statutory levies	115,994	119,079
Trade mark fee (see note 12 and 17)	19,321	19,331
Allowance for doubtful premiums receivable (note 7)	3,718	35,326
Others	18,635	20,143
	495,001	535,711

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

23. GENERAL AND ADMINISTRATION EXPENSES

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
Employees' costs	270,640	270,759
Rents and maintenance costs	29,809	26,036
Travelling expenses	6,130	7,841
Depreciation (see note 10 (a))	16,827	14,561
Communication expenses	8,934	6,577
Others	35,743	53,716
	<u>368,083</u>	<u>379,490</u>
	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Shareholders' Operations</i>		
Board expenses (see note 12 (b))	3,544	3,772
Corporate Social Responsibility (CSR) expenses	3,819	3,674
Others	3,690	516
	<u>11,053</u>	<u>7,962</u>

24. INVESTMENT AND COMMISSION INCOME

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance Operations</i>		
- Commission income	91,102	78,564
- Realized / unrealised gains on investments	8,566	1,624
	<u>99,668</u>	<u>80,188</u>
<i>Shareholder's operations</i>		
- Commission income	43,027	60,090
- Realized / unrealised gain / (losses) on investments	15,546	(9,853)
	<u>58,573</u>	<u>50,237</u>

25. 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.

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25. 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 2017</i>		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
Gross written premiums	4,727,398	3,005,563	7,732,961
Premiums ceded	(43,381)	(24,967)	(68,348)
Net written premiums	4,684,017	2,980,596	7,664,613
Movement in net unearned premiums	11,137	(3,436)	7,701
Net earned premiums	4,695,154	2,977,160	7,672,314
Claims paid	4,123,230	2,305,387	6,428,617
Claims recovered	(28,300)	(15,918)	(44,218)
Net claims paid	4,094,930	2,289,469	6,384,399
Net movement in outstanding claims	(16,175)	36,779	20,604
Net claims incurred	4,078,755	2,326,248	6,405,003
Net underwriting result	616,399	650,912	1,267,311
Unallocated income			99,692
Unallocated expenses			(863,084)
Surplus from insurance operations			503,919

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

25. SEGMENT INFORMATION (continued)

	<i>For the year ended 31 December 2016</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	4,871,984	3,066,646	7,938,630
Premiums ceded	(38,689)	(28,770)	(67,459)
Net written premiums	4,833,295	3,037,876	7,871,171
Movement in net unearned premiums	(130,467)	(73,388)	(203,855)
Net earned premiums	4,702,828	2,964,488	7,667,316
Claims paid	3,723,910	2,220,883	5,944,793
Claims recovered	(20,936)	(13,957)	(34,893)
Net claims paid	3,702,974	2,206,926	5,909,900
Net movement in outstanding claims	165,889	102,656	268,545
Net claims incurred	3,868,863	2,309,582	6,178,445
Net underwriting result	833,965	654,906	1,488,871
Unallocated income			80,279
Unallocated expenses			(915,201)
Surplus from insurance operations			653,949

	<i>As at 31 December 2017</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – net	511,677	359,305	870,982
Reinsurer's share of unearned premiums	--	5,146	5,146
Reinsurer's share of outstanding claims	937	93	1,030
Deferred policy acquisition costs	31,984	39,092	71,076
Unallocated assets			4,001,272
Total			4,949,506
Insurance operations' liabilities and surplus			
Unearned premiums	1,236,432	1,854,647	3,091,079
Outstanding claims	858,583	482,953	1,341,536
Unallocated liabilities and surplus			516,891
Total			4,949,506

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25. SEGMENT INFORMATION (continued)

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

26. DIVIDENDS

On 14 Jumada Al-Akhirah 1438 (corresponding to 13 March 2017), the Company's Board of Directors proposed to pay a dividend, for the year ended 31 December 2016, of SR 1.5 per share totalling SR 120 million to its shareholders. This dividend proposal was presented and approved by the shareholders in the Extraordinary General Assembly Meeting held on Monday 12 Shaban 1438, corresponding to 8 May 2017 and accordingly the dividend payment was completed on 25 Shaban 1438, corresponding to 21 May 2017 (2016: SR160 million approved on 17 Rajab 1437 (corresponding to 24 April 2016) and the dividend payment was made on 22 Ramadan 1437H (corresponding to 27 June 2016)).

27. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments:

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

	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Within one year	19,401	13,911
After one year but no more than five years	72,571	47,361
More than five years	77,792	29,422
	169,764	90,694

b) As at 31 December 2017, performance guarantees amounting to SR 32.7 million (2016: SR 15.7 million) were issued to 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 the Company are disclosed in note 18(d) to these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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28. 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
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

28. 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 SR'000	Decrease / (increase) in insurance operations and accumulated surplus SR'000
Ultimate loss ratio – Insurance Operations			
2017	± 5%	± 383,616	± 383,616
2016	± 5%	± 383,366	± 383,366

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 affected 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 1.03 million (2016: SR 1.7 million) (see note 15).

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

At 31 December 2017

28. 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 2017, 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>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
Minimum regulatory capital	<u>1,423,560</u>	<u>1,259,387</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. 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 41.03 million (2016: SR 27.20 million) and SR 45.04 million (2016: SR 35.7 million) respectively.

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

At 31 December 2017

28. 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 have murabaha deposits and investment in Sukuk which are realisable within 3 months to More than 3 years, 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

	2017				Total
	SR'000				
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 3 years</i>	<i>More than 3 years</i>	
Murabaha deposits	616,936	1,694,113	421,528	180,000	2,912,577
Investments in Sukuk	31,470	66,372	51,222	254,795	403,859
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2016				Total
	SR'000				
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 3 years</i>	<i>More than 3 years</i>	
Murabaha deposits	921,481	2,136,335	--	--	3,057,816
Investments in Sukuk	72,717	60,112	371	110,453	243,653
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Shareholders' Operations

	2017				Total
	SR'000				
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 3 years</i>	<i>More than 3 years</i>	
Murabaha deposits	180,585	477,134	355,087	20,000	1,032,086
Investment in Sukuk	25,000	--	133,906	324,900	483,806
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2016				Total
	SR'000				
	<i>Less than 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 3 years</i>	<i>More than 3 years</i>	
Murabaha deposits	288,327	699,167	--	--	987,494
Investment in Sukuk	48,148	170,313	1,114	142,498	362,073
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

At 31 December 2017

28. 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>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Insurance operations</i>		
<i>Saudi Riyals:</i>		
Increase in commission rates by 100 basis points	29,125	30,572
Decrease in commission rates by 100 basis points	(29,125)	(30,572)
<i>Shareholders' operations</i>		
<i>Saudi Riyals:</i>		
Increase in commission rates by 100 basis points	10,328	9,889
Decrease in commission rates by 100 basis points	(10,328)	(9,889)

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 or above).

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

At 31 December 2017

28. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

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

	2017 SR'000	2016 SR'000
Insurance' Operations		
Cash and cash equivalents	110,384	132,030
Murabaha deposits	2,912,577	3,057,816
Investments	820,776	544,090
Premiums receivable – net	870,982	980,543
Reinsurer's share of outstanding claims	1,030	1,720
Other receivables	32,683	15,676
	<u>4,748,432</u>	<u>4,731,875</u>
	2017 SR'000	2016 SR'000
Shareholders' Operations		
Cash and cash equivalents	119,500	93,800
Murabaha deposits	1,032,806	987,494
Investments	900,914	714,330
Other receivables	12,993	17,445
Accrued interest on statutory deposit	5,121	3,585
Statutory deposit	80,000	80,000
	<u>2,151,334</u>	<u>1,896,654</u>

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

At 31 December 2017

28. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the credit rating of counterparties. Investment grade ratings includes ratings from AAA to BBB- (as per S&P and/or Aaa to Baa3 (as per Moody's) and is attributed to companies with sound credit standing. A rating below the mentioned threshold would be sub-investment grade and represent a higher risk of default as measured by rating agencies. A non-investment grade for receivables would be treated as past due but not impaired.

Insurance operations' financial assets

	<i>Investment grade SR'000</i>	<u>Non-investment grade</u>		<i>Total SR'000</i>
		<i>Satisfactory SR'000</i>	<i>Past due but not impaired SR'000</i>	
Cash and cash equivalents	110,384	--	--	110,384
Murabaha deposits	2,912,577	--	--	2,912,577
Investments	820,776	--	--	820,776
Premiums receivable – net	--	611,323	259,659	870,982
Reinsurer's share of outstanding claims	1,030	--	--	1,030
Other receivables	32,683	--	--	32,683
31 December 2017	3,877,450	611,323	259,659	4,748,432
Cash and cash equivalents	132,030	--	--	132,030
Murabaha deposits	3,057,816	--	--	3,057,816
Investments	544,090	--	--	544,090
Premiums receivable – net	--	617,304	363,239	980,543
Reinsurer's share of outstanding claims	1,720	--	--	1,720
Other receivables	15,676	--	--	15,676
31 December 2016	3,751,332	617,304	363,239	4,731,875

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

28. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

Shareholders' operations' financial assets

	<i>Investment grade SR'000</i>	<u>Non-investment grade</u>		<i>Total SR'000</i>
		<i>Satisfactory SR'000</i>	<i>Past due but not impaired SR'000</i>	
Cash and cash equivalents	119,500	--	--	119,500
Murabaha deposits	1,032,806	--	--	1,032,806
Investments	900,914	--	--	900,914
Other receivables	--	12,993	--	12,993
Accrued interest on statutory deposit	5,121	--	--	5,121
Statutory deposit	80,000	--	--	80,000
31 December 2017	2,138,341	12,993	--	2,151,334
Cash and cash equivalents	93,800	--	--	93,800
Murabaha deposits	987,494	--	--	987,494
Investments	714,330	--	--	714,330
Other receivables	--	17,445	--	17,445
Accrued interest on statutory deposit	3,585	--	--	3,585
Statutory deposit	80,000	--	--	80,000
31 December 2016	1,879,209	17,445	--	1,896,654

In respect of gross premiums receivable, the 5 largest accounts outstanding accounted for 10.4% of the closing gross premiums receivable balance of 31 December 2017 (2016 the 5 largest accounted for 14% of the closing gross premiums receivable). Gross written premium from one of the major customers of the Company exceeds 5% of Gross written premium.

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)

At 31 December 2017

28. RISK MANAGEMENT (continued)

Liquidity risk (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>2017</u>	<i>Up to one year SR'000</i>	<i>More than one year SR'000</i>	<i>Total SR'000</i>
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Outstanding claims	1,341,536	--	1,341,536
Reinsurance balances payable	39,613	--	39,613
Accrued expenses and other liabilities	137,984	--	137,984
Due to shareholders' operations	200,000	--	200,000
	1,719,133	--	1,719,133
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	7,614	66,469	74,083
Accrued zakat and income tax	10,841	137,863	148,704
Accrued interest in a statutory deposit	--	5,121	5,121
Amount due to related parties	33,586	--	33,586
	52,041	209,453	261,494
TOTAL FINANCIAL LIABILITIES	1,771,174	209,453	1,980,627
	<i>Up to one year SR'000</i>	<i>More than one year SR'000</i>	<i>Total SR'000</i>
2016			
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Outstanding claims	1,321,622	--	1,321,622
Reinsurance balances payable	15,117	--	15,117
Accrued expenses and other liabilities	171,292	--	171,292
Due to shareholders' operations	148,477	--	148,477
	1,656,508	--	1,656,508
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	2,824	59,316	62,140
Accrued zakat and income tax	27,152	89,801	116,953
Accrued interest in a statutory deposit	--	3,585	3,585
Amount due to related parties	24,344	--	24,344
	54,320	152,702	207,022
TOTAL FINANCIAL LIABILITIES	1,710,828	152,702	1,863,530

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)

At 31 December 2017

29. 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 weighted average number of shares are calculated after deducting the shares purchased for share based payment.

30. 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 2017 and 31 December 2016, 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 2017 and 31 December 2016, all financial instruments which are fair valued are level 2 instruments. The Company determines level 2 fair value of FVIS 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 2017 and 31 December 2016.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 3 Rajab 1439H, corresponding to 20 March 2018.