

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED
31 DECEMBER 2017**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED
31 DECEMBER 2017**

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

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

Introduction

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

Scope of review

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

Conclusion

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

for KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
Certified Public Accountant
License No. 382

for Ernst & Young
(Public Accountants)

Ahmed I. Reda
Certified Public Accountant
License No. 356

Jeddah, Kingdom of Saudi Arabia
21 Jumada I 1439 H
Corresponding to 7 February 2018 G



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
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		5,146	1,356
Reinsurer's share of outstanding claims	9	1,030	1,720
Prepayments and other assets		157,535	131,546
Deferred policy acquisition costs		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		12,993	17,445
Furniture, fixtures and equipment - net		133,497	90,945
Due from insurance operations		200,000	148,477
Goodwill		98,000	98,000
Accrued interest on statutory deposit	8	5,121	3,585
Statutory deposit	8	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 20 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2017

		<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		3,091,079	3,094,990
Outstanding claims	9	1,341,536	1,321,622
Reinsurance balances payable		39,613	15,117
Accrued expenses and other liabilities		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 investments		713	--
Total insurance operations' liabilities and surplus		4,949,506	4,921,382
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		74,083	62,140
Accrued Zakat and income tax	12	148,704	116,953
Accrued interest on statutory deposit	8	5,121	3,585
Amounts due to related parties	11	33,586	24,344
Total shareholders' liabilities		261,494	207,022
Shareholders' equity			
Share capital	13	800,000	800,000
Statutory reserve	14	504,025	403,902
Fair value reserve for available for sale investments		(1,880)	--
Share based payment	15	17,220	16,931
Shares held under employees share scheme	15	(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' SURPLUS AND SHAREHOLDERS' EQUITY		7,532,337	7,155,458


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	Notes	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
		<i>2017 SR'000</i>	<i>2016 SR'000</i>	<i>2017 SR'000</i>	<i>2016 SR'000</i>
REVENUE					
Gross written premiums		1,109,788	1,086,223	7,732,961	7,938,630
Premiums ceded		(10,151)	(33,654)	(68,348)	(67,459)
Net written premiums		1,099,637	1,052,569	7,664,613	7,871,171
Net movement in unearned premiums		849,921	929,850	7,701	(203,855)
Net earned premiums		1,949,558	1,982,419	7,672,314	7,667,316
CLAIMS					
Claims paid		1,609,390	1,610,353	6,428,617	5,944,793
Claims recovered		(34,935)	(34,893)	(44,218)	(34,893)
Net claims paid		1,574,455	1,575,460	6,384,399	5,909,900
Net movement in outstanding claims	9	163,944	89,162	20,604	268,545
Net claims incurred		1,738,399	1,664,622	6,405,003	6,178,445
Net underwriting result		211,159	317,797	1,267,311	1,488,871
EXPENSES					
Selling and marketing		(40,577)	(75,325)	(495,001)	(535,711)
General and administration		(96,563)	(93,264)	(368,083)	(379,490)
Investment and commission income	10	25,122	29,264	99,668	80,188
Other income		--	10	24	91
SURPLUS FROM INSURANCE OPERATIONS		99,141	178,482	503,919	653,949
Shareholders' share of surplus from insurance operations	2(b)	(89,227)	(160,634)	(453,527)	(588,554)
Policyholders' share of surplus from insurance operations		9,914	17,848	50,392	65,395
Policyholders' share of surplus from insurance operations at the beginning of the period		155,534	182,650	169,884	154,299
Distribution of surplus during the period		(26,867)	(30,614)	(81,695)	(49,810)
Policyholders' share of accumulated surplus from insurance operations at the end of the period		138,581	169,884	138,581	169,884

Chairman

NADEL ASHOUR
Chief Financial Officer

Director and Chief Executive Officer

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

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

INTERIM STATEMENT OF INSURANCE OPERATIONS COMPREHENSIVE
SURPLUS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	<i>Three-month period ended</i>		<i>Twelve-month period ended</i>	
	<i>31 December</i>		<i>31 December</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>
Net surplus for the period	9,914	17,848	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 (losses) /gains on available for sale investments	(1,118)	--	713	--
Total comprehensive surplus for the period	8,796	17,848	51,105	65,395


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

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

INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	Notes	<i>Three-month period ended</i>		<i>Twelve-month period ended</i>	
		<i>31 December</i>		<i>31 December</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>
REVENUE					
Shareholders' share of surplus from insurance operations	2(b)	89,227	160,634	453,527	588,554
EXPENSE					
General and administration		(5,136)	(635)	(11,053)	(7,962)
		84,091	159,999	442,474	580,592
Investment and commission income	10	17,076	33,490	58,573	50,237
Other loss		--	--	(433)	(124)
Net income for the period		101,167	193,489	500,614	630,705
Weighted average number of ordinary shares outstanding (in thousands)		79,753	79,808	79,783	79,826
Basic and diluted earnings per share (in Saudi Arabian Riyals)	18	1.27	2.42	6.27	7.90


Chairman


Director and Chief Executive Officer


NADIEL ASHOOR
Chief Financial Officer


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

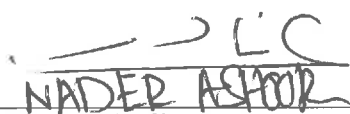
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2017

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Net income for the period	101,167	193,489	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	(126)	--	(1,880)	--
Total comprehensive income for the period	101,041	193,489	498,734	630,705


Chairman


Director and Chief Executive Officer


NADER ASHOOR
Chief Financial Officer

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period 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 share- holders' equity SR'000
Balance at 31 December 2016 (Audited)		800,000	403,902	--	16,931	(23,404)	829,625	2,027,054
Total comprehensive income								
Net income for the period		--	--	--	--	--	500,614	500,614
Unrealised fair value losses on available for sale investments		--	--	(1,880)	--	--	--	(1,880)
Transfer to statutory reserve		--	100,123	--	--	--	(100,123)	--
Transactions with owners of the Company								
Provision for Zakat for the period	12	--	--	--	--	--	(48,062)	(48,062)
Provision for income tax for the period	12	--	--	--	--	--	(31,167)	(31,167)
Dividend	17	--	--	--	--	--	(120,000)	(120,000)
Purchase of shares under LTIP	15	--	--	--	--	(5,511)	--	(5,511)
Provision for LTIP	15	--	--	--	289	--	--	289
Balance at 31 December 2017 (Unaudited)		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 share- holders' equity SR'000
Balance at 31 December 2015 (Audited)		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		--	126,141	--	--	--	(126,141)	--
Transactions with owners of the Company								
Provision for Zakat for the period		--	--	--	--	--	(102,160)	(102,160)
Provision for income tax for the period		--	--	--	--	--	(35,194)	(35,194)
Dividend	17	--	--	--	--	--	(160,000)	(160,000)
Income tax recovered from non-Saudi shareholders		--	--	--	--	--	31,304	31,304
Amount payable to foreign shareholders		--	--	--	--	--	(1,169)	(1,169)
Purchase of shares under LTIP	15	--	--	--	--	(10,303)	--	(10,303)
Provision for LTIP	15	--	--	--	7,331	--	--	7,331
Balance at 31 December 2016 (Audited)		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 20 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(UNAUDITED)

For the twelve-month period ended 31 December 2017

	Notes	<i>Twelve-month period ended 31 December</i>	
		2017 SR'000	2016 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		50,392	65,395
Adjustments for:			
Distribution of surplus		(81,695)	(49,810)
Depreciation		16,827	14,561
Allowance for doubtful premiums receivable, net		3,718	35,326
Investment income earned during the period, net		--	(2,379)
Realised (gain) / loss on investments	6(a)	(3,559)	614
Unrealised gain on investments	6(a)	(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
Reinsurance balances payable		24,496	15,117
Accrued expenses and other liabilities		(33,308)	(90,857)
Due to shareholders' operations		34,696	133,916
Net cash generated from operating activities		100,522	291,696
INVESTING ACTIVITIES			
Purchase of investments	6(a)	(958,724)	(504,582)
Proceeds from disposal of investments	6(a)	691,317	149,638
Placement in murabaha deposits	5	(2,912,577)	(4,719,357)
Proceeds from murabaha deposits matured during the period	5	3,057,816	4,709,070
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 period		132,030	205,565
Cash and cash equivalents at end of the period		110,384	132,030
<u>Non-cash information</u>			
Unrealised gain on available for sale investments	6(a)	713	--

Chairman

Director and Chief Executive Officer

Chief Financial Officer

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

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the twelve-month period ended 31 December 2017

	Notes	<i>Twelve-month period ended 31 December</i>	
		2017 SR'000	2016 SR'000
OPERATING ACTIVITIES			
Net income for the period		500,614	630,705
Adjustment for:			
Share based payment expense		289	7,331
Investment income earned during the period – net		--	(3,750)
Realised (gain) / loss on investments	6(b)	(8,257)	8,589
Unrealised (gain) / loss on FVIS investments	6(b)	(7,289)	1,264
Employees end of services benefit expense		12,673	15,334
Loss on disposal of fixture, furniture and equipment		433	124
Income tax recoverable from non-Saudi shareholders		--	6,375
Amount payable to non-Saudi shareholders		--	(1,173)
		498,463	664,799
Changes in operating assets and liabilities:			
Other receivables		4,452	(22,128)
Accrued expenses and other liabilities		4,790	2,275
Amounts due to related parties		9,242	(7,854)
Due from insurance operations		(34,696)	(133,916)
		482,251	503,176
Employee end of service benefits paid		(5,520)	(4,091)
Zakat and income tax paid	12	(47,478)	(62,978)
		429,253	436,107
INVESTING ACTIVITIES			
Purchase of furniture, fixtures and equipment		(59,820)	(28,498)
Proceeds from disposal of furniture, fixtures and equipment		8	35
Purchase of investments	6(b)	(1,462,848)	(865,827)
Proceeds from disposal of investments	6(b)	1,289,930	585,179
Placement in murabaha deposits	5	(1,032,806)	(2,157,598)
Proceeds from murabaha deposits matured during the period	5	987,494	1,670,104
Purchase of shares held under LTIP		(5,511)	(10,303)
		(283,553)	(806,908)
FINANCING ACTIVITIES			
Dividends paid	17	(120,000)	(160,000)
Income tax recovered from non-Saudi shareholders		--	31,304
		(120,000)	(128,696)
Net cash used in financing activities			
		25,700	(499,497)
Cash and cash equivalents at beginning of the period		93,800	593,297
Cash and cash equivalents at end of the period		119,500	93,800
Non-cash information			
Zakat and income tax charged to retained earnings	12	79,229	137,354
Unrealised loss on available for sale investments	6(b)	1,880	--

Chairman

Chief Financial Officer

Director and Chief Executive Officer

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 December 2017

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Bupa Arabia For Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at:

Al-Khaleidiah District,
Prince Saud Al Faisal Street,
Front of Saudi Airlines Building,
P.O. Box 23807, Jeddah 21436,
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers’ Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

2 BASIS OF PREPARATION

a. Basis of measurement

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

b. Statement of compliance

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting 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”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax (“SAMA 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/periods.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

2 BASIS OF PREPARATION (continued)

b. Statement of compliance (continued)

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

Shareholders	90%
Policyholders	10%
	<hr/>
	100%
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In case of deficit in insurance operations result, the entire deficit is borne by the shareholders' operations.

In accordance with Article 70 of the SAMA Implementing Regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

c. Critical accounting judgements, estimates and assumptions

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

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

(i) Provision for outstanding claims

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

(ii) Deferred acquisition costs

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

2 BASIS OF PREPARATION (continued)

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

(iii) Fair values of financial instruments

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

(iv) Premium deficiency reserve

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

(v) Allowance for doubtful premiums receivable

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

(vi) Impairment of available for sale investments

The Company exercises judgment to consider impairment on the available for sale investments at each reporting date. This includes determination of a significant or prolonged decline in the fair value of equity securities below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates amongst 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 this is recognized in the statement of income as an impairment charge on investments. A prolonged decline represents a decline below the cost that persists for 1 year or longer irrespective of the amount and is, thus, recognized in the statement of insurance operations and accumulated surplus or statement of shareholders' operations accordingly as an impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the statement of insurance operations and accumulated surplus or statement of shareholders' operations accordingly. Impairment losses relating to equity investments cannot be reversed in future periods. The Company reviews its debt securities classified as available for sale at each reporting date to assess whether they are impaired.

(vii) Going concern

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

(viii) Impairment of Goodwill

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

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

2 BASIS OF PREPARATION (continued)

d. Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2016, with the exception of additions / amendments in following accounting policies. Also certain comparative amounts have been reclassified to conform with the current period's presentation

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 period and are disclosed as gains/(losses) on non-trading investments.

(ii) Held to maturity investments

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

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

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 deferred acquisition costs are subsequently 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 period.

During the period ended 31 December 2017, certain costs have been reclassified as part of policy acquisition costs.

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

At 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. 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). The adoption of the amendments to existing standards mentioned below had no financial impact on the interim condensed financial statements of the Company.

<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 consolidated 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.

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

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. New IFRS, IFRIC and amendments thereof, issued but not yet effective (continued)

The implementation of IFRS 9 is expected to result in a significant portion of a company's financial assets classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of IFRS 17 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. IFRS 17 also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company is currently assessing the implications and application date and expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until further guidance by SAMA, but no later than 1 January 2021.

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

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	31 December 2017 SR'000 (Unaudited)	31 December 2016 SR'000 (Audited)
<i>Insurance Operations</i>		
Cash in banks	110,384	132,030
<i>Shareholders' Operations</i>		
Cash in banks	119,500	93,800

At 31 December 2017, the Company issued performance guarantees to customers against margin deposits amounting to SR 32.68 million (31 December 2016: SR 15.7 million) placed with the banks. This restricted deposit has been included under prepayments and other assets.

5 MURABAHA DEPOSITS

The Murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These deposits are predominately in Murabaha deposits with a small allocation in Mudaraba. They are denominated in Saudi Arabian Riyals and have an original maturity from more than three months to more than one year and yield financial income at rates ranging from 2.15% to 4.00% per annum. The movements in Murabaha Deposits during the year ended 31 December 2017 and 31 December 2016 respectively are as follows:

	31 December 2017 SR'000 (Unaudited)	31 December 2016 SR'000 (Audited)
<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	2,912,577	4,719,357
Balance at end of the year	2,912,577	3,057,816

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

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

5 MURABAHA DEPOSITS (continued)

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<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	1,032,806	2,157,598
Balance at end of the year	<u>1,032,806</u>	<u>987,494</u>

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

6 INVESTMENTS

a) Insurance operations

Investments as at 31 December comprise of the following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</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 period, the Company has 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, 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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

6 INVESTMENTS (continued)

a) Insurance operations (continued)

i) FVIS investments

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

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Mutual funds	379,416	300,437
Sukuks	32,025	243,653
	411,441	544,090

FVIS investments in Sukuks comprise of the following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Floating Rate Sukuks	25,025	132,530
Fixed Rate Sukuks	7,000	111,123
	32,025	243,653

ii) Available for sale investments

Available for sale investments comprise of the following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Mutual funds	37,501	--
Sukuks	371,834	--
	409,335	--

Available for sale investments in Sukuks comprise of the following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Floating Rate Sukuks	65,302	--
Fixed Rate Sukuks	306,532	--
	371,834	--

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

6 INVESTMENTS (continued)

a) Insurance operations (continued)

The movements in the investments during the year are as follows:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<i>Insurance operations</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
	<hr/>	<hr/>
Balance at end of the year	820,776	544,090
	<hr/> <hr/>	<hr/> <hr/>

b) Shareholders' operations:

Investments as at 31 December comprises of the following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
FVIS investments (refer note (i) below)	495,966	714,330
Available for sale investments (refer note (ii) below)	404,948	--
	<hr/>	<hr/>
	900,914	714,330
	<hr/> <hr/>	<hr/> <hr/>

During the period, the Company has carried out a detailed review of its investment portfolio as explained in Note 6 (a) above, and as a result, the following changes were enacted by management on investments relating to the shareholders' operations:

<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

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

At 31 December 2017

6 INVESTMENTS (continued)

b) Shareholders' operations (continued)

i) FVIS investments

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

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Investments in discretionary portfolio	100,900	100,370
Mutual funds	299,987	251,887
Sukuks	95,079	362,073
	495,966	714,330

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

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Equities	97,983	92,277
Other assets, net	2,917	8,093
	100,900	100,370

FVIS investments in Sukuks comprise of the following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Floating Rate Sukuks	76,079	219,307
Fixed Rate Sukuks	19,000	142,766
	95,079	362,073

ii) Available for sale investments

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

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Sukuks	388,727	--
Other Funds	16,221	--
	404,948	--

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

6 INVESTMENTS (continued)

b) *Shareholders' operations: (continued)*

ii) *Available for sale investments (continued)*

Available for sale investments in Sukuks comprise of following:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
Floating Rate Sukuks	225,464	--
Fixed Rate Sukuks	163,263	--
	<u>388,727</u>	<u>--</u>

The movements in the investments during the year are as follows:

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<i>Shareholders' operations</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 gain/(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>

c) Amount payable to/receivable from shareholders' operations are settled by transfer of cash at each reporting date. During the twelve-month period ended 31 December 2017, the insurance operations transferred cash of SR 420.5 million to the shareholders' operations (31 December 2016: SR 188.6 million).

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

7 PREMIUMS RECEIVABLE – NET

	<i>31 December 2017 SR'000 (Unaudited)</i>	<i>31 December 2016 SR'000 (Audited)</i>
<i>Insurance 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>

8 STATUTORY DEPOSIT

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

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

9 NET MOVEMENT IN OUTSTANDING CLAIMS

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

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2017 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Unaudited)</i>	<i>2017 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Unaudited)</i>
<i>Insurance Operations</i>				
Outstanding claims at end of the period	1,341,536	1,321,622	1,341,536	1,321,622
Outstanding claims at beginning of the period	(1,177,592)	(1,232,460)	(1,321,622)	(1,054,369)
	163,944	89,162	19,914	267,253
Reinsurer's share of outstanding claims at end of the period	(1,030)	(1,720)	(1,030)	(1,720)
Reinsurer's share of outstanding claims at beginning of the period	1,030	1,720	1,720	3,012
	--	--	690	1,292
Net movement in outstanding claims	163,944	89,162	20,604	268,545

10 INVESTMENT AND COMMISSION INCOME

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2017 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Unaudited)</i>	<i>2017 SR'000 (Unaudited)</i>	<i>2016 SR'000 (Unaudited)</i>
<i>Insurance Operations</i>				
- Commission income	23,559	28,244	91,212	78,464
- Realised/unrealised gains on investments – net	1,563	1,020	8,456	1,724
	25,122	29,264	99,668	80,188
<i>Shareholder Operations</i>				
- Commission income	10,951	33,490	44,923	60,090
- Realised/unrealised gains/(losses) on investments – net	6,125	--	13,650	(9,853)
	17,076	33,490	58,573	50,237

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

11 TRANSACTIONS WITH RELATED PARTIES

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

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

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>		<u>Receivable/(payable) balance as at</u>	
		<u>For the twelve months period ended 31 December 2017</u> <u>SR'000</u> <u>(Unaudited)</u>	<u>For the twelve months period ended 31 December 2016</u> <u>SR'000</u> <u>(Unaudited)</u>	<u>31 December 2017</u> <u>SR'000</u> <u>(Unaudited)</u>	<u>31 December 2016</u> <u>SR'000</u> <u>(Audited)</u>
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	--	36,506	(1,169)	(1,169)
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	19,321	19,331	(19,321)	(19,331)
Board member (related party) *	Sharia review services	119	150	--	--

* Effective 15th October 2017, the Board member related party is no longer a stakeholder in the Sharia review services bureau and the transactions and balances presented are up to that specific date.

a) Compensation to key management personnel:

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

	<u>2017</u> <u>SR'000</u> <u>(Unaudited)</u>	<u>2016</u> <u>SR'000</u> <u>(Unaudited)</u>
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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2017

12 ZAKAT AND INCOME TAX

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

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

	<i>Zakat payable</i> <i>SR'000</i>	<i>Income tax payable</i> <i>SR'000</i>	<i>Total</i> <i>31 December 2017</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>Total</i> <i>31 December 2016</i> <i>SR'000</i> <i>(Audited)</i>
Balance at beginning of the year	108,942	8,011	116,953	42,577
Provided during the year	48,062	31,167	79,229	137,354
Payments during the year	(12,678)	(34,800)	(47,478)	(62,978)
Balance at end of the year	<u>144,326</u>	<u>4,378</u>	<u>148,704</u>	<u>116,953</u>

Status of assessments

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 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.

13 SHARE CAPITAL

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

	<i>Percentage holding</i>	<i>2017</i> <i>SR'000</i>	<i>Percentage holding</i>	<i>2016</i> <i>SR'000</i>
Major shareholders	52.3%	418,640	52.5%	420,000
General public	47.7%	381,360	47.5%	380,000
	<u>100%</u>	<u>800,000</u>	<u>100%</u>	<u>800,000</u>

On 19 Ramadan 1438, corresponding 14 June 2017, after having received the required approvals, Bupa Investments Overseas Limited purchased the Nazer Group's ASAS Healthcare Company 8.0% shareholding in Bupa Arabia. Bupa Investments Overseas Limited now owns 34.25% and the Nazer Group owns 18.08%.

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14 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company makes this transfer on an annual basis at 31 December. As at 31 December 2017, SR 504.02 million (31 December 2016: SR 403.90 million) had been set aside as a statutory reserve, representing 63% (31 December 2016: 50.4 %) of the paid-up share capital.

15 SHARE BASED PAYMENT

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

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

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

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 31 December 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

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16 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

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

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

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

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

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

	<i>For the three-month period ended 31 December 2017 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	475,433	634,355	1,109,788
Premiums ceded	(6,189)	(3,962)	(10,151)
Net written premiums	469,244	630,393	1,099,637
Movement in net unearned premiums	723,142	126,779	849,921
Net earned premiums	1,192,386	757,172	1,949,558
Claims paid	1,030,010	579,380	1,609,390
Claims recovered	(22,358)	(12,577)	(34,935)
Net claims paid	1,007,652	566,803	1,574,455
Net movement in outstanding claims	74,830	89,114	163,944
Net claims incurred	1,082,482	655,917	1,738,399
Net underwriting result	109,904	101,255	211,159
Unallocated income			25,122
Unallocated expenses			(137,140)
Surplus from insurance operations			99,141

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16 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended</i>		
	<i>31 December 2016 (Audited)</i>		
	Major	Non-major	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross written premiums	472,568	613,655	1,086,223
Premiums ceded	(18,846)	(14,808)	(33,654)
Net written premiums	453,722	598,847	1,052,569
Movement in net unearned premiums	781,227	148,623	929,850
Net earned premiums	1,234,949	747,470	1,982,419
Claims paid	1,022,178	588,175	1,610,353
Claims recovered	(19,579)	(15,314)	(34,893)
Net claims paid	1,002,599	572,861	1,575,460
Net movement in outstanding claims	54,027	35,135	89,162
Net claims incurred	1,056,626	607,996	1,664,622
Net underwriting result	178,323	139,474	317,797
Unallocated income			29,274
Unallocated expenses			(168,589)
Surplus from insurance operations			178,482

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16 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2017 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total 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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At 31 December 2017

16 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2016 (Audited)</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 (Unaudited)</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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16 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 31 December 2016 (Audited)</i>		
	Major <i>SR'000</i>	Non-major <i>SR'000</i>	Total <i>SR'000</i>
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

17 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 (2016: SR160 million). 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.

18 EARNINGS PER SHARE

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

Diluted earnings per share were not applicable to the Company.

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19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Company's financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, investments, re-insurance share of outstanding claims, statutory deposits and other receivables and its financial liabilities consist of outstanding claims, reinsurance balance payable, obligation under LTIP, due to shareholders' operations, amount due to related parties and other liabilities. 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 FVIS and available for sale investments which are carried at fair value (note 6), there were no other financial instruments held by the Company that were measured at fair value.

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

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

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 31 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 and available for sale investments based on net asset value of investments at period end. There were no transfer between levels 1, 2 and 3 during the period.

20 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 21 Jumada I 1439 H corresponding to 7 February 2018 G.