

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED  
31 MARCH 2016**

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

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**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2016**

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**KPMG Al Fozan & Partners**

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P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia



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

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P.O. Box 20142 - Jeddah 21455  
Kingdom of Saudi Arabia

## 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.

### Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia for Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 31 March 2016 and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the three-months period then ended and related notes 1 to 21 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

### Emphasis of matter

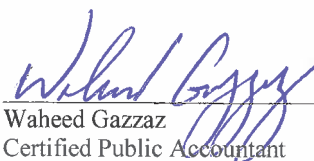
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

for KPMG Al Fozan & Partners



Ebrahim Oboud Baeshen  
Certified Public Accountant  
Licence No. 382

for Aldar Audit Bureau  
Abdullah AlBasri & Co.



Waheed Gazzaz  
Certified Public Accountant  
Licence No. 247



Jeddah, Kingdom of Saudi Arabia  
11 Rajab 1437H  
Corresponding to 18 April 2016



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

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 March 2016

		<b>31 March 2016 SR'000 (Unaudited)</b>	<b>31 December 2015 SR'000 (Audited)</b>
	<i>Notes</i>		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	112,832	205,565
Murabaha deposits	6	3,068,007	3,047,529
FVIS investments	7	183,624	185,143
Premiums receivable - net	8	1,400,035	749,449
Reinsurer's share of unearned premium		1,577	900
Reinsurer's share of outstanding claims	10	1,394	3,012
Prepayments and other assets		107,829	91,483
Deferred policy acquisition costs		68,715	78,415
<b>Total insurance operations' assets</b>		<b>4,944,013</b>	<b>4,361,496</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	245,458	593,297
Murabaha deposits	6	903,488	500,000
FVIS investments	7	434,321	439,785
Other receivables		2,782	1,691
Furniture, fixtures and equipment		80,833	77,167
Goodwill	4	98,000	98,000
Return on investment of statutory deposit	9	2,289	1,872
Statutory deposit	9	80,000	80,000
<b>Total shareholders' assets</b>		<b>1,847,171</b>	<b>1,791,812</b>
<b>TOTAL ASSETS</b>		<b>6,791,184</b>	<b>6,153,308</b>

Chairman

Director and Chief Executive Officer

Chief Financial Officer


The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 March 2016

		<b>31 March 2016 SR'000 (Unaudited)</b>	<b>31 December 2015 SR'000 (Audited)</b>
	<i>Notes</i>		
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums		3,443,325	2,890,679
Outstanding claims	10	1,164,072	1,054,369
Reinsurance balance payable		5,689	-
Accrued expenses and other liabilities		171,373	262,149
<b>Total insurance operations' liabilities</b>		<b>4,784,459</b>	<b>4,207,197</b>
<b>Insurance operations' surplus</b>			
Policyholders' share of accumulated surplus from insurance operations		159,554	154,299
<b>Total insurance operations' liabilities and surplus</b>		<b>4,944,013</b>	<b>4,361,496</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Accrued expenses and other liabilities		50,960	48,622
Accrued Zakat and income tax	13	59,653	42,577
Accrued return on investment of statutory deposit	9	2,289	1,872
Amount due to related parties		20,986	32,201
<b>Total shareholders' liabilities</b>		<b>133,888</b>	<b>125,272</b>
<b>Shareholders' equity</b>			
Share capital	14	800,000	800,000
Statutory reserve	15	277,761	277,761
Share based payment	16	11,388	9,600
Shares held under employees share scheme	16	(23,404)	(13,101)
Retained earnings		647,538	592,280
<b>Total shareholders' equity</b>		<b>1,713,283</b>	<b>1,666,540</b>
<b>Total shareholders' liabilities and equity</b>		<b>1,847,171</b>	<b>1,791,812</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>6,791,184</b>	<b>6,153,308</b>

  
Chairman

  
Director and Chief Executive Officer

  
Chief Financial Officer

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

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

For the three-month period ended 31 March 2016

	Notes	2016 SR'000	2015 SR'000
<b>REVENUE</b>			
Gross written premiums		2,446,029	2,079,449
Premiums ceded to reinsurers		(11,689)	(6,180)
Net written premiums		2,434,340	2,073,269
Net movement in unearned premiums		(551,970)	(559,579)
Net earned premiums		1,882,370	1,513,690
<b>CLAIMS</b>			
Claims paid		1,492,766	1,104,420
Claims recovered		--	--
Net claims paid		1,492,766	1,104,420
Net movement in outstanding claims	10	111,321	198,027
Net claims incurred		1,604,087	1,302,447
<b>Net underwriting result</b>		278,283	211,243
<b>EXPENSES</b>			
Selling and marketing		(111,304)	(104,537)
General and administrative		(94,486)	(73,823)
Investment and commission income	11	11,754	6,177
Other income / expense		46	141
<b>SURPLUS FROM INSURANCE OPERATIONS</b>		84,293	39,201
Shareholders' share of surplus from insurance operations	2(b)	(75,864)	(35,281)
<b>Policyholders' share of surplus from insurance operations</b>		8,429	3,920
Policyholders' share of surplus from insurance operations at the beginning of the period		154,299	81,181
Distribution of surplus during the period		(3,174)	--
<b>Policyholders' share of accumulated surplus from insurance operations at the end of the period</b>		159,554	85,101

  
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**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
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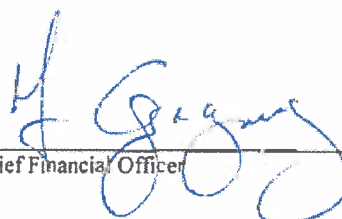
**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (Unaudited)**

For the three-month period ended 31 March 2016

	2016 SR'000	2015 SR'000
<b>REVENUE</b>		
Shareholders' share of surplus from insurance operations	75,864	35,281
<b>EXPENSES</b>		
General and administrative	(3,297)	(1,550)
	72,567	33,731
Investment income (Note 11)	69	3,040
<b>Net income for the period</b>	<u>72,636</u>	<u>36,771</u>
Weighted average number of ordinary shares outstanding (in thousands)	79,881	80,000
Basic and diluted earnings per share (in Saudi Arabian Riyals)	<u>0.91</u>	<u>0.46</u>

  
 Chairman

  
 Director and Chief Executive Officer

  
 Chief Financial Officer

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

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**

(Unaudited)

For the three-month period ended 31 March 2016

	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
Net income for the period	72,636	36,771
<i>Other comprehensive income</i>		
<u>Items that will not be reclassified to statement of shareholders' operations</u>		
Provision for Zakat for the period (note 13)	(5,910)	(6,900)
Provision for income tax for the period (note 13)	(11,468)	(9,696)
<b>Total comprehensive income for the period</b>	<b>55,258</b>	<b>20,175</b>

  
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**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY**  
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**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three-month period ended 31 March 2016

	Notes	Share capital SR'000	Statutory reserve SR'000	Share based payment SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total SR'000
<b>Balance at 31 December 2015 (Audited)</b>		<b>800,000</b>	<b>277,761</b>	<b>9,600</b>	<b>(13,101)</b>	<b>592,280</b>	<b>1,666,540</b>
<b>Total comprehensive income</b>							
Net income for the period		--	--	--	--	72,636	72,636
Provision for Zakat for the period	13	--	--	--	--	(5,910)	(5,910)
Provision for income tax for the period	13	--	--	--	--	(11,468)	(11,468)
<b>Transactions with owners of the company</b>							
Purchase of shares under LTIP		--	--	--	(10,303)	--	(10,303)
Provision for LTIP	16	--	--	1,788	--	--	1,788
<b>Balance at 31 March 2016 (Unaudited)</b>		<b>800,000</b>	<b>277,761</b>	<b>11,388</b>	<b>(23,404)</b>	<b>647,538</b>	<b>1,713,283</b>

	Notes	Share capital SR'000	Statutory reserve SR'000	Share based payment SR'000	Shares held under employees share scheme SR'000	Retained earnings SR'000	Total SR'000
<b>Balance at 31 December 2014 (Audited)</b>		<b>400,000</b>	<b>148,746</b>	--	--	<b>502,753</b>	<b>1,051,499</b>
<b>Total comprehensive income</b>							
Net income for the period		--	--	--	--	645,077	645,077
Provision for Zakat for the period	13	--	--	--	--	(13,602)	(13,602)
Provision for income tax for the period	13	--	--	--	--	(36,153)	(36,153)
Income tax recovered from non-Saudi shareholders		--	--	--	--	23,220	23,220
Transfer to statutory reserve		--	129,015	--	--	(129,015)	--
<b>Transactions with owners of the company</b>							
Bonus shares issue		400,000	--	--	--	(400,000)	--
Purchase of shares under LTIP		--	--	--	(13,101)	--	(13,101)
Provision for LTIP	16	--	--	9,600	--	--	9,600
<b>Balance at 31 December 2015 (Audited)</b>		<b>800,000</b>	<b>277,761</b>	<b>9,600</b>	<b>(13,101)</b>	<b>592,280</b>	<b>1,666,540</b>

Chairman

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Chief Financial Officer


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

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (Unaudited)**

For the three-month period ended 31 March 2016

	Notes	2016 SR '000	2015 SR '000
<b>OPERATING ACTIVITIES</b>			
Policyholders' share of surplus for the period		8,429	3,920
Adjustments for:			
Distribution of surplus		(3,174)	--
Depreciation		3,256	3,336
Investment income during the period		(747)	--
Allowance for doubtful premiums receivable - net	8	(19,168)	(4,149)
Unrealised loss / (gain) on investments		1,265	(1,731)
Realised loss / (gain) on investments		1,001	--
		(9,138)	1,376
Changes in operating assets and liabilities:			
Premiums receivable		(631,418)	(511,547)
Prepayments and other assets		(16,346)	2,868
Unearned premiums		552,646	542,801
Reinsurer's share of unearned premiums		(677)	16,778
Deferred policy acquisition costs		9,700	(2,046)
Outstanding claims		109,703	197,212
Reinsurer's share of outstanding claims		1,618	815
Due from shareholders' operations		(3,256)	(3,336)
Reinsurance balances payable		5,689	1,111
Accrued expenses and other liabilities		(90,776)	(77,011)
Obligation under Long-Term Incentive Plan		--	(18,554)
Net cash (used in) / generated from operating activities		(72,255)	150,467
<b>INVESTING ACTIVITY</b>			
Purchase of investments		--	(352,990)
Income received during the period, net		--	1,223
Investment in murabaha deposits		(1,096,115)	(424,325)
Maturity of murabaha deposits,		1,075,637	423,734
Net cash used in investing activity		(20,478)	(352,358)
Net decrease in cash and cash equivalents		(92,733)	(201,891)
Cash and cash equivalents at beginning of the period		205,565	1,384,281
Cash and cash equivalents at end of the period	5	112,832	1,182,390

  
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The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (Unaudited)**

For the three-month period ended 31 March 2016

	Notes	2016 SR'000	2015 SR'000
<b>OPERATING ACTIVITIES</b>			
Net income for the period		72,636	36,771
Adjustment for:			
Share based payment expense		1,788	--
Investment income during the period		(1,343)	
Unrealised loss / (gain) on investments		3,803	(2,029)
Realised loss / (gain) on investments		3,004	--
Employees end of services benefit expense		2,531	2,209
		<u>82,419</u>	<u>36,951</u>
Changes in operating assets and liabilities:			
Accrued expenses and other liabilities		351	633
Amounts due to related parties		(11,215)	(5,301)
Due to insurance operations		3,256	3,336
Other receivables		(1,091)	33
		<u>73,720</u>	<u>35,652</u>
Employee end of service benefits paid		(544)	(253)
Zakat and income tax paid	13	(302)	--
		<u>72,874</u>	<u>35,399</u>
Net cash generated from operating activities			
<b>INVESTING ACTIVITY</b>			
Purchase of furniture, fittings and equipment		(6,922)	(10,332)
Investment in murabaha deposits		(903,488)	--
Maturity of murabaha deposits,		500,000	44,730
Purchase of shares held under LTIP		(10,303)	--
		<u>(420,713)</u>	<u>34,398</u>
Net cash (used in) / generated from investing activity			
Net (decrease) / increase in cash and cash equivalents		(347,839)	69,797
Cash and cash equivalents at beginning of the period		593,297	462,569
Cash and cash equivalents at end of the period	5	<u>245,458</u>	<u>532,366</u>
<b>Non-cash information</b>			
Zakat and income tax charged to comprehensive income	13	<u>17,378</u>	<u>16,596</u>

  
Chairman

  
Director and Chief Executive Officer

  
Chief Financial Officer

The accompanying notes 1 to 21 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

For the three-month period ended 31 March 2016

### 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-Khalediyyah District,  
Prince Saud Al Fasial 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 Company is 73.75% owned by Saudi shareholders and the general public and 26.25% owned by non-Saudi shareholders. 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

#### 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. The Company presents its statements of financial position broadly in order of liquidity. The Company does not present Statement of Comprehensive Income for Insurance Operations as Insurance Operations does not have any other comprehensive income / expenses. All financial assets and liabilities, except for statutory deposit, and the associated return on investment/accrued return on investment, are expected to be recovered and settled respectively within twelve months after the reporting date.

#### b. Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”).

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 2015.

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

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

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

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

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

For the three-month periods ended 31 March 2016

**2 BASIS OF PREPARATION (continued)**

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

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

The Company presents its interim statements of financial position broadly in order of liquidity. All financial assets and liabilities, except for the statutory deposit, are expected to be recovered and settled respectively within twelve months after the interim reporting date.

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

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

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

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2015. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

*(i) Provision for outstanding claims*

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

*(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.

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

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

For the three-month periods ended 31 March 2016

**2 BASIS OF PREPARATION (continued)**

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

*(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 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) 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.

**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 and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2015, except for the adoption of the amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation.



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

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

For the three-month periods ended 31 March 2016

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a. 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):

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 14	IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.
IFRS 10 IFRS 11 IFRS 12 IAS 28	Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be re-measured if the joint operator retains joint control
IAS 1	Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to; <ul style="list-style-type: none"> <li>• The materiality requirements in IAS 1</li> <li>• That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated</li> <li>• That entities have flexibility as to the order in which they present the notes to financial statements</li> <li>• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.</li> </ul>

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

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For the three-month periods ended 31 March 2016

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a. New IFRS, IFRIC and amendments thereof, adopted by the company (continued)**

<u>Standard / Amendments</u>	<u>Description</u>
IAS 16 IAS 38	Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
IAS 16 IAS 41 IAS 20	Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance”, instead of IAS 41.
IAS 27	Amendments to IAS 27 – “Separate Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements
IFRS 5	Amendments to IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, applicable for the annual periods beginning on or after 1 January 2016, amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
IFRS 7	Amendments to IFRS 7 – “Financial Instruments: Disclosures”, applicable for the annual periods beginning on or after 1 January 2016, has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
IAS 19	Amendments to IAS 19 – “Employee Benefits”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
IAS 34	Amendments to IAS 34 – “Interim Financial Reporting”, applicable for the annual periods beginning on or after 1 January 2016, clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.



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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. New IFRS, IFRIC 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 and amendments, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses	1 January 2017

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

**4 GOODWILL**

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

**5 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following:

	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
<b>Insurance Operations</b>		
Cash in banks	<b>112,832</b>	<b>205,565</b>
<b>Shareholders' Operations</b>		
Cash in banks	<b>245,458</b>	<b>593,297</b>

At 31 March 2016, the Company issued performance guarantees to customers against margin deposits amounting to SR 19.5 million (31 December 2015: SR 17.1 million) placed with the banks. This amount has been included under prepayments and other current assets.

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For the three-month periods ended 31 March 2016

**6 MURABAHA DEPOSITS**

The Murabaha deposits are held with commercial banks. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity from three months to one year and yield financial income at rates ranging from 0.75 to 3.2%. The movements in the Murabaha deposits during the three-month period ended 31 March 2016 and the year ended 31 December 2015 are as follows:

	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
<b><i>Insurance Operations</i></b>		
Balance at beginning of the period / year	3,047,529	1,213,027
Matured during the period / year	(1,075,637)	(1,637,352)
Placed during the period / year	1,096,115	3,471,854
Balance at end of the period / year	<b>3,068,007</b>	<b>3,047,529</b>
	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
<b><i>Shareholders' operations</i></b>		
Balance at beginning of the period / year	500,000	44,730
Matured during the period / year	(500,000)	(44,730)
Placed during the period / year	903,488	500,000
Balance at end of the period / year	<b>903,488</b>	<b>500,000</b>

**7 FVIS INVESTMENTS**

*a) Insurance operations:*

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

	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
Investments in discretionary portfolio	146,043	147,863
Sukuk issued by government controlled entity	37,581	37,280
	<b>183,624</b>	<b>185,143</b>

The discretionary portfolio of insurance operations is invested in following type of securities and investments.

	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
Mutual funds	50,152	50,987
Bonds / Sukuks	82,781	82,766
Equities	11,303	12,540
Other assets, net	1,807	1,570
	<b>146,043</b>	<b>147,863</b>

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

For the three-month periods ended 31 March 2016

**7 FVIS INVESTMENTS (continued)**

The movements in the investments during the three-month period ended 31 March 2016 and year ended 31 December 2015 are as follows:

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<b><i>Insurance operations</i></b>		
Balance at beginning of the period / year	185,143	189,968
Purchased during the period / year	--	418,557
Disposed during the period / year	--	(421,821)
Income received during the period/year, net	747	(2,408)
Realised (loss) / gain during the period / year	(1,001)	7,031
Unrealised (loss) / gain during the period / year	(1,265)	(6,184)
	<u>183,624</u>	<u>185,143</u>

*b) Shareholders' operations:*

FVIS investments of shareholder operations are designated as such upon initial recognition. The discretionary portfolio of insurance operations is invested in following type of securities and investments;

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Mutual funds	146,523	149,236
Bonds / Sukuks	248,295	248,250
Equities	33,908	37,619
Other assets, net	5,595	4,680
	<u>434,321</u>	<u>439,785</u>

The movements in the investments during the three-month period ended 31 March 2016 and year ended 31 December 2015 are as follows:

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
<b><i>Shareholders' operations</i></b>		
Balance at beginning of the period / year	439,785	454,578
Income received during the period/year, net	1,343	--
Realised (loss) / gain during the period / year	(3,004)	3,588
Unrealised (loss) / gain during the period / year	(3,803)	(18,381)
	<u>434,321</u>	<u>439,785</u>

Amount payable to / receivable from shareholders' operations are settled by transfer of cash at each reporting date. During the three months period ended 31 March 2016, the insurance operations transferred cash of SR 51.2 million to the shareholders' operations (31 December 2015: SR 600.52 million).

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

For the three-month periods ended 31 March 2016

**8 PREMIUMS RECEIVABLE – NET**

	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
Gross premiums receivable	<b>1,493,160</b>	863,715
Allowance for doubtful premiums receivable	<b>(93,125)</b>	(114,266)
Premiums receivable – net	<b><u>1,400,035</u></b>	<u>749,449</u>

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

	<b>31 March 2016 (Unaudited) SR'000</b>	<b>31 December 2015 (Audited) SR'000</b>
<b>Insurance Operations</b>		
Balance at beginning of the period / year	<b>114,266</b>	77,858
(Reversal) / provision made during the period / year	<b>(19,168)</b>	38,571
Utilized during the period / year	<b>(1,973)</b>	(2,163)
Balance at end of the period / year	<b><u>93,125</u></b>	<u>114,266</u>

**9 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. During 2015, the company increased the statutory deposit to SR 80 million, as required following the increase in capital. Commission accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

**10 NET MOVEMENT IN OUTSTANDING CLAIMS**

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

	<b>2016 (Unaudited) SR'000</b>	<b>2015 (Unaudited) SR'000</b>
<b>Insurance Operations</b>		
Gross outstanding claims at end of the period	<b>1,164,072</b>	1,009,742
Gross outstanding claims at beginning of the period	<b>(1,054,369)</b>	(812,530)
	<b><u>109,703</u></b>	<u>197,212</u>
Reinsurer's share of outstanding claims at end of the period	<b>(1,394)</b>	(12,617)
Reinsurer's share of outstanding claims at beginning of the period	<b>3,012</b>	13,432
	<b><u>1,618</u></b>	<u>815</u>
Movement in net outstanding claims	<b><u>111,321</u></b>	<u>198,027</u>

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

For the three-month periods ended 31 March 2016

**11 INVESTMENT AND COMMISSION INCOME**

	<i>For the three months period ended 31 March 2016 SR'000 (Unaudited)</i>	<i>For the three months period ended 31 March 2015 SR'000 (Unaudited)</i>
<b>Insurance Operations</b>		
- Profit on murabaha deposits	14,020	4,446
- Realized / unrealised (loss) / gain on investments – net (refer note 7)	(2,266)	1,731
	<b>11,754</b>	<b>6,177</b>
<b>Shareholder operations</b>		
- Profit on murabaha deposits	6,876	1,011
- Realized / unrealised (loss) / gain on investments – net (refer note 7)	(6,807)	2,029
	<b>69</b>	<b>3,040</b>

**12 TRANSACTIONS WITH RELATED PARTIES**

The following are details of major related party transactions during the period ended 31 March 2016 and 31 March 2015 and the related balances at the period end:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	
		<i>Three-month period ended 31 March 2016 SR'000 (Unaudited)</i>	<i>Three-month period ended 31 March 2015 SR'000 (Unaudited)</i>
<b>Insurance Operations</b>			
Shareholders	Gross written premium	3,055	7,148
Shareholders	Premium ceded (see note (a) below)	1,275	1,109
Shareholders	Claims paid	834	700
Shareholders	Medical costs charged by providers (see note (b) below)	61	--
Shareholders	Expenses recharged (by) / to a related party (see note (c) below)	(64)	2,341
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note (d) below)	4,732	3,797
Board member (related party)	Sharia review services (see note (e) below)	38	38
Key management personnel	Short-term benefits	4,693	4,485
	Long-term benefits	1,567	1,378

- a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the Company's major customers and some minor accounts. The reinsurer's share of unearned premiums and outstanding claims as at 31 March 2016 is SR 1.6 million (31 December 2015: SR 0.9 million) and SR 1.4 million (31 December 2015: SR 3 million) respectively. As at 31 March 2016, reinsurance premium payable to related party was SR 16.3 million (31 December 2015: SR 15.3 million).

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

For the three-month periods ended 31 March 2016

**12 TRANSACTIONS WITH RELATED PARTIES (continued)**

- b) These related parties are hospital providers where any of the Company's entitled customers, and their qualified members, can use the facilities of the related parties. The Company makes payments for all the medical costs of all its contracts, to these provider related parties, in accordance with the normal contractual terms of agreement. The estimated payable to the related parties, for medical cost payments as of 31 March 2016, amounted to SR Nil (31 December 2015: SR 295 thousand).
- c) The Company has an agreement with one of its related parties under which certain employees of both companies work on a project owned by one of the shareholders of the Company. As a result, during the three months period ended 31 March 2016 the related costs of those employees charged by the related party amounted to SR 64 thousand while for the three months period ended 31 March 2015 the related cost of those employees charged to the related party amounted to SR 2.3 million.
- d) 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. Accordingly, a sum of SR 4.7 million (31 December 2015: SR 16.9 million) payable to a related party has been accrued for in these financial statements.
- e) One of the Board members owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted by Bupa Arabia for the provision of Shariah review services.
- f) Amounts due to related parties are disclosed in the interim statement of financial position. Premium receivable-net, includes net premium receivable from related parties amounting to SR 816 thousand (31 December 2015: SR 521).

**13 ZAKAT AND INCOME TAX**

The Zakat and income tax payable by the Company has been calculated based on the best estimate of the management.

Movements in the Zakat and income tax accrued during the three month period ended 31 March 2016 and the year ended 31 December 2015 are as follows:

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 31 March 2016 (Unaudited) SR'000</i>	<i>Total 31 December 2015 (Audited) SR'000</i>
Balance at beginning of the period / year	19,745	22,832	42,577	23,903
Provided during the period / year	5,910	11,468	17,378	49,755
Reversal of prior years' provisions during the period / year	--	--	--	--
Payments during the period / year	(296)	(6)	(302)	(31,081)
Balance at end of the period / year	<u>25,359</u>	<u>34,294</u>	<u>59,653</u>	<u>42,577</u>

**Status of assessments**

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

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



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

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

For the three-month periods ended 31 March 2016

### 13 ZAKAT AND INCOME TAX (continued)

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

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

### 14 SHARE CAPITAL

The share capital of the Company is SR 800 million divided into 80 million shares of SR 10 each (2015: 40 million shares of SR 10 each).

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

### 15 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders income shall be set aside from net income as a statutory reserve until this reserve amounts to one hundred percent of the paid-up share capital. The Company makes this transfer on an annual basis. As at 31 March 2016 SR 277.8 million (31 December 2015 SR 277.8 million), had been set aside as a statutory reserve, representing 34.7% of the paid-up share capital.

### 16 LONG-TERM INCENTIVE PLAN (LTIP)

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

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

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

As the new LTIP scheme is entirely shares based the company accounts for the LTIP as an equity settled share based transaction under which the approved participants will receive a certain number of Bupa Arabia shares after the completion of each three year performance period, the achievement of the performance measures, the achievement of the participant's conditions, and the completion of the required approvals. For this purpose, the Bupa Arabia shares are already purchased by an investment broker, currently NCB Capital. As a result, the LTIP shares were purchased during the third quarter of 2015, after the 2015 second quarter prohibition period ended.

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

For the three-month periods ended 31 March 2016

### 16 LONG-TERM INCENTIVE PLAN (LTIP) (continued)

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

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

At the end of the vesting period, the Nomination and Remuneration Committee (N&RC) will approve the extent to which the performance conditions have been met and how many of the performance shares will vest and be released to the participants. The N&RC will approve that the Company can proceed to transfer the relevant specific employees' shares entitlement from the shares held in the Bupa Arabia "Bupa Employees Long Term Incentive" regular shares portfolio account to the respective individual LTIP participants' own personal share portfolio accounts, following the confirmation of instruction of the separate individual LTIP participant's instructions and confirmations of their respective individual personal share portfolio accounts' bank and share portfolio account numbers.

Any surplus shares, arising from not all the shares being vested, as per the rules of this LTIP scheme, i.e. from awards that have been forfeited and therefore retained by Bupa Arabia, will be held and accounted for as part of the process of the funding of the next cycle.

The number of LTIP shares purchased for the 2015-2017 LTIP cycle, during the second half of 2015, in accordance with the approvals, rules and entitlements of the new LTIP scheme, was 51,103 LTIP shares,. The grant date of 32,110 shares and 18,993 shares is 23 July 2015 and 26 November 2015 respectively and the grant date fair value per share is SR 277 and SR 221 respectively.

During 2015 the shareholders of the Company approved the issuance of 1 bonus share for every 1 share held in the extraordinary general assembly meeting held on 7 December 2015. The participants will each be entitled to one bonus share for each performance share vested and released to participant at the end of vesting period. Following the issuance of the bonus shares, during December 2015, a total of 102,206 Bupa Arabia shares were being held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of LTIP participants, for the 2015-2017 LTIP cycle.

During the quarter ended 31 March 2016, the company purchased a net 89,855 shares for the 2016-2018 LTIP cycle, in accordance with the approvals, rules and entitlements of the new LTIP scheme. The grant date of the new LTIP shares purchased is 14 March 2016 and the grant date fair value is SR 115 per share. Following these purchases a total of 192,061 Bupa Arabia shares are being held in the Bupa Arabia "Bupa employees Long Term Incentive Plan" regular shares portfolio account, on behalf of LTIP participants, for the 2015-2017 and 2016-2018 LTIP cycles.

The cost of the plan is recognized over the period during which the vesting conditions are fulfilled. The expense, recognized for the plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of insurance operation and accumulated surplus for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

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



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

For the three-month periods ended 31 March 2016

**17 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, FVIS investments and prepayments and other assets. Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities, obligation 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 three-month period ended 31 March 2016 (Unaudited)</i>		
	<b>Major SR'000</b>	<b>Non-major SR'000</b>	<b>Total SR'000</b>
Gross written premiums	1,504,693	941,336	2,446,029
Premiums ceded to reinsurers	(6,514)	(5,175)	(11,689)
Net written premiums	1,498,179	936,161	2,434,340
Movement in net unearned premiums	(320,855)	(231,115)	(551,970)
Net earned premiums	1,177,324	705,046	1,882,370
Gross claims paid	942,579	550,187	1,492,766
Claims recovered	--	--	--
Net claims paid	942,579	550,187	1,492,766
Movement in net outstanding claims	70,291	41,030	111,321
Net claims incurred	1,012,870	591,217	1,604,087
Net underwriting result			278,283
Unallocated income			11,800
Unallocated expenses			(205,790)
Surplus from insurance operations			84,293

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

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

**b) SEGMENT INFORMATION (continued)**

	<i>For the three-month period ended 31 March 2015 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Gross written premiums	1,195,948	883,501	2,079,449
Premiums ceded to reinsurers	(4,350)	(1,830)	(6,180)
Net written premiums	1,191,598	881,671	2,073,269
Movement in net unearned premiums	(1,136,477)	576,898	(559,579)
Net earned premiums	55,121	1,458,569	1,513,690
Gross claims paid	721,391	383,029	1,104,420
Claims recovered	-	-	-
Net claims paid	721,391	383,029	1,104,420
Movement in net outstanding claims	103,337	94,690	198,027
Net claims incurred	824,728	477,719	1,302,447
Net underwriting result	(769,607)	980,850	211,243
Unallocated income			6,318
Unallocated expenses			(178,360)
Surplus from insurance operations			39,201

	<i>As at 31 March 2016 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
<b>Insurance operations' assets</b>			
Premiums receivable – net	834,099	565,936	1,400,035
Reinsurer's share of unearned premium	--	1,577	1,577
Reinsurer's share of outstanding claims	630	764	1,394
Deferred policy acquisition costs	36,369	32,346	68,715
Unallocated assets			3,472,292
<b>Total</b>			<b>4,944,013</b>
<b>Insurance operations' liabilities and surplus</b>			
Unearned premiums	1,797,230	1,646,095	3,443,325
Outstanding claims	723,932	440,140	1,164,072
Unallocated liabilities and surplus			336,616
<b>Total</b>			<b>4,944,013</b>

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

For the three-month periods ended 31 March 2016

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

**b) SEGMENT INFORMATION (continued)**

	<i>As at 31 December 2015 (Audited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
<b>Insurance operations' assets</b>			
Premiums receivable – net	418,246	331,203	749,449
Reinsurer's share of unearned premium	--	900	900
Reinsurer's share of outstanding claims	2,672	340	3,012
Deferred policy acquisition costs	58,015	20,310	78,415
Unallocated assets	-	-	3,529,720
<b>Total</b>			<b>4,361,496</b>
<b>Insurance operations' liabilities and surplus</b>			
Unearned premiums	1,675,344	1,215,335	2,890,679
Outstanding claims	653,640	400,729	1,054,369
Unallocated liabilities and surplus			416,448
<b>Total</b>			<b>4,361,496</b>

**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 / (loss) per share is not applicable to the Company.

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

The Company's financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, investments, re-insurance share of outstanding claims, statutory deposits and other receivables and its financial liabilities consist of outstanding claims, reinsurance balance payable, obligation under LTIP, amount due to related parties and other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 March 2016 and 31 December 2015, apart from the FVIS investments which are carried at fair value (note 7), there were no other financial instruments held by the Company that were measured at fair value.

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

For the three-month periods ended 31 March 2016

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

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

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

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

As at 31 March 2016 and 31 December 2015, 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 transfer between levels 1, 2 and 3 during the period.

**20 COMPARATIVE FIGURES**

Certain figures have been reclassified to conform with the presentation in the current period.

**21 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 11 Rajab 1437H, corresponding to 18 April 2016.