

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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2018**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT 31 MARCH 2018**

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3
Interim Condensed Statement of Comprehensive Income	4
Interim Condensed Statement of Changes in Equity	5 – 6
Interim Condensed Statement of Cash Flows	7
Notes to the Interim Condensed Financial Statements	8 – 32



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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 condensed statement of financial position of Bupa Arabia for Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 31 March 2018 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" 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
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Jeddah, Kingdom of Saudi Arabia
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 Corresponding to 3 May 2018



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	<i>Notes</i>	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
<u>ASSETS</u>			
Cash and cash equivalents	4	278,449	229,884
Term deposits	5	4,055,811	3,945,383
Premiums receivable – net	6	1,918,080	870,982
Investments	7,12	1,523,009	1,721,690
Reinsurers' share of unearned premiums	9.1	1,352	5,146
Reinsurers' share of outstanding claims	9.2	352	360
Reinsurers' share of claims incurred but not reported	9.2	678	670
Deferred policy acquisition costs		81,309	71,076
Prepaid expenses and other assets		167,612	170,528
Statutory deposit	8	80,000	80,000
Accrued income on statutory deposit	8	5,529	5,121
Fixtures, furniture and equipment – net		96,766	93,617
Intangible assets		38,719	39,880
Goodwill		98,000	98,000
TOTAL ASSETS		8,345,666	7,332,337
<u>LIABILITIES</u>			
Accrued and other liabilities		213,325	145,598
Reinsurers' balances payable		55,253	39,613
Unearned premiums	9.1	3,621,667	3,091,079
Outstanding claims	9.2	588,721	450,249
Claims incurred but not reported	9.2	1,132,687	871,998
Claims handling reserve	9.2	19,289	19,289
Due to related parties	14	39,367	33,586
Insurance operations' surplus payable		128,161	138,581
Zakat and income tax	15	171,271	148,704
Accrued income payable to SAMA	8	5,529	5,121
Provision for end-of-service benefits		67,029	66,469
TOTAL LIABILITIES		6,042,299	5,010,287
<u>EQUITY</u>			
Share capital	16	800,000	800,000
Shares held under employees share scheme	18	(27,499)	(28,915)
Statutory reserve	17	504,025	504,025
Share based payments	18	17,304	17,220
Investments fair value reserve – related to shareholders		(4,169)	(1,880)
Retained earnings		1,017,668	1,030,887
TOTAL SHAREHOLDERS' EQUITY		2,307,329	2,321,337
Investments fair value reserve – related to policyholders		(3,962)	713
TOTAL EQUITY		2,303,367	2,322,050
TOTAL LIABILITIES AND EQUITY		8,345,666	7,332,337


Chairman


Director and Chief Executive Officer


Chief Financial Officer


The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

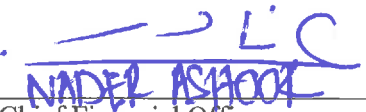
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)

For the three-month period ended 31 March 2018

		<i>Three-month period ended 31</i>	
		<i>March</i>	
<i>Notes</i>		<i>2018</i>	<i>2017</i>
		<i>SAR'000</i>	<i>SAR'000</i>
<u>REVENUES</u>			
	Gross premiums written	2,489,157	2,252,770
	Reinsurance premiums ceded – Local	(2,346)	(1,392)
	Reinsurance premiums ceded – International	(14,318)	(15,015)
	Net premiums written	2,472,493	2,236,363
	Changes in unearned premiums, net	(534,382)	(359,925)
	Net premiums earned	1,938,111	1,876,438
		9.1	
<u>UNDERWRITING COSTS AND EXPENSES</u>			
	Gross claims paid	(1,341,277)	(1,647,095)
	Reinsurers' share of claims paid	12,600	11,055
	Net claims paid	(1,328,677)	(1,636,040)
	Changes in outstanding claims, net	(138,472)	(7,579)
	Changes in claims incurred but not reported, net	(260,689)	(25,373)
	Net claims incurred	(1,727,838)	(1,668,992)
	Policy acquisition costs	(43,310)	(50,518)
	TOTAL UNDERWRITING COSTS AND EXPENSES	(1,771,148)	(1,719,510)
	NET UNDERWRITING INCOME	166,963	156,928
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
	(Allowance for)/reversal of doubtful receivables provision	(10,847)	13,515
	General and administrative expenses	(105,729)	(89,765)
	Selling and marketing expenses	(84,154)	(82,344)
	Commission income	33,719	39,035
	Unrealized gains on investments	2,107	1,498
	Realized gains on investments	7,898	831
	Other loss	(609)	--
	TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(157,615)	(117,230)
	NET INCOME FOR THE PERIOD	9,348	39,698
	Net income attributed to the insurance operations after shareholders' absorption of deficit / (transfer to surplus payable)	1	(3,005)
	Net income attributed to the shareholders	9,348	36,693
	Weighted average number of ordinary outstanding shares (in thousands)	79,755	79,813
	Basic earnings per share (Expressed in SAR per Share)	20	0.46
		0.12	


Chairman


NADER ASHOOK
Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.


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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month period ended 31 March 2018

	<i>Three-month period ended 31</i>	
	<i>March</i>	
	<i>2018</i>	<i>2017</i>
	<i>SAR'000</i>	<i>SAR'000</i>
Net income for the period	9,348	39,698
Net income attributed to the insurance operations	--	(3,005)
Net income attributed to the shareholders	9,348	36,693
Other comprehensive income		
<i>Items that are or may be reclassified to interim condensed statements of income in subsequent periods</i>		
Net change in fair value of available-for-sale investments:		
- related to shareholders	(2,289)	1,206
- related to policyholders	(4,675)	191
	(6,964)	1,397
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,384	38,090


Chairman


Director and Chief Executive Officer


Chief Financial Officer

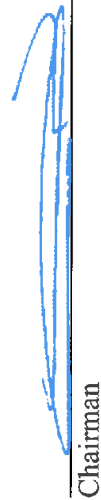
The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2018

	Related to shareholders							Investments fair value reserve – related to policyholders SAR'000	Total Shareholders' Equity SAR'000	Total Equity SAR'000
	Share capital SAR'000	Shares held under employees share scheme SAR'000	Statutory reserve SAR'000	Share based payments SAR'000	Share based payments SAR'000	Investments fair value reserve SAR'000	Retained earnings SAR'000			
Balance at the 31 December 2017 (audited)	800,000	(28,915)	504,025	17,220	(1,880)	1,030,887	713	2,321,337	2,322,050	
Total comprehensive income for the period	--	--	--	--	--	9,348	--	9,348	9,348	
Net income for the period attributed to shareholders	--	--	--	--	--	9,348	--	9,348	9,348	
Changes in fair value of available-for-sale investments	--	--	--	--	(2,289)	--	(4,675)	(2,289)	(6,964)	
Total comprehensive income for the period	--	--	--	--	(2,289)	9,348	(4,675)	7,059	2,384	
Share based payment transactions	--	--	--	1,500	--	--	--	1,500	1,500	
Delivery of shares under LTIP	--	1,416	--	(1,416)	--	--	--	--	--	
Zakat and income tax charge	--	--	--	--	--	(22,567)	--	(22,567)	(22,567)	
Balance at 31 March 2018 (unaudited)	800,000	(27,499)	504,025	17,304	(4,169)	1,017,668	(3,962)	2,307,329	2,303,367	


Chairman


Director and Chief Executive Officer


NADER ASIM
Chief Financial Officer

The accompanying notes from 1 to 23 an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

For the three-month period ended 31 March 2018

	Related to shareholders						Investments fair value reserve – related to policyholders SAR'000	Total Shareholders' Equity SAR'000	Total Equity SAR'000
	Shares held under employees share scheme SAR'000	Share based payments SAR'000	Statutory reserve SAR'000	Share Investments fair value reserve SAR'000	Retained earnings SAR'000	Shareholders' Equity SAR'000			
2017									
Balance at 31 December 2016 (audited)	800,000	(23,404)	403,902	16,931	--	829,625	2,027,054	--	2,027,054
Total comprehensive income for the period									
Net income for the period attributed to shareholders	--	--	--	--	--	36,693	36,693	--	36,693
Changes in fair value of available-for-sale investments	--	--	--	--	1,206	--	1,206	191	1,397
Total comprehensive income for the period	--	--	--	--	1,206	36,693	37,899	191	38,090
Share based payment transactions	--	--	--	(2,351)	--	--	(2,351)	--	(2,351)
Disposals of shares under L.TIP	--	5,548	--	--	--	--	5,548	--	5,548
Zakat and income tax charge	--	--	--	--	--	(18,790)	(18,790)	--	(18,790)
Balance at 31 March 2017 (unaudited)	800,000	(17,856)	403,902	14,580	1,206	847,528	2,049,360	191	2,049,551


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 CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the three-month period ended 31 March 2018

	Notes	Three-month period ended 31	
		March	
		2018	2017
		SAR'000	SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		9,348	39,698
<u>Adjustments for non-cash items:</u>			
Depreciation of fixtures, furniture and equipment		2,890	1,111
Amortization of intangible assets		1,486	2,902
Provision for LTIP		1,500	(2,351)
Allowance for/(reversal of) doubtful receivables provision		10,847	(13,515)
Unrealized gains on investments	7	(2,107)	(1,498)
Realized gains on investments	7	(7,898)	(831)
Provision for end-of-service benefits		4,454	3,509
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable		(1,057,945)	(540,115)
Reinsurers' share of unearned premiums		3,794	(492)
Reinsurers' share of outstanding claims		8	--
Reinsurers' share of claims incurred but not reported		(8)	--
Deferred policy acquisition costs		(10,233)	3,989
Prepaid expenses and other assets		2,916	(5,204)
Accrued and other liabilities		67,727	4,272
Reinsurers' balances payable		15,640	13,399
Unearned premiums		530,588	360,417
Outstanding claims		138,472	7,579
Claims incurred but not reported		260,689	25,373
Due to related parties		5,781	5,666
		(22,051)	(96,091)
End-of-service benefits paid		(3,894)	(1,252)
Surplus paid to policyholders		(10,420)	(30,067)
Net cash used in operating activities		(36,365)	(127,410)
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits	5	(907,949)	(1,012,608)
Proceeds from maturity of term deposits	5	797,521	1,208,927
Additions to investments	7	(677,726)	(316,153)
Disposals of investments	7	879,448	217,864
Additions to fixtures, furniture and equipment		(6,039)	(17,275)
Intangible assets acquired		(325)	(314)
Disposal of shares under LTIP		--	5,548
Net cash generated from investing activities		84,930	85,989
Net change in cash and cash equivalents		48,565	(41,421)
Cash and cash equivalents at beginning of the period		229,884	225,830
Cash and cash equivalents at end of the period		278,449	184,409
<u>Non-cash transactions</u>			
Unrealised (losses)/gains on available for sale investments		(6,964)	1,397

Chairman

NADEL ASHOOR
Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes from 1 to 23 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

As at 31 March 2018

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

The Board of Directors approves the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by Saudi Arabian Monetary Authority ("SAMA"), whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial statements of the Company has been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which require, 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 modified by SAMA. 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 equity under retained earnings.

The interim condensed financial statements is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through statement of income (FVSI) and available-for-sale investments. The Company's interim condensed statement of financial position is presented in order of liquidity. Except for fixtures, furniture and equipment, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, end-of-service benefits and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for “Insurance Operations” and “Shareholders’ Operations”. Accordingly, assets, liabilities, revenues and expenses attributable to either operation, are recorded in the respective accounts. The Company’s interim condensed financial statements until 31 December 2017, presented separately the statement of financial position, statements of income, comprehensive income and cash flows for the insurance operations and shareholders’ operations.

During the current period, SAMA issued illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. Following the illustrative financial statements, this is the first period where the Company issued its interim condensed financial statements combining shareholders and insurance operations. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of insurance operations are combined with those of shareholders’ operations. Inter-operation balances and transactions, if any, are eliminated in full. The accounting policies adopted for the insurance and shareholders’ operations are uniform for like transactions and events in similar circumstances.

In preparing these interim condensed financial statements comparative amounts were also combined to conform with the current period presentation in line with SAMA requirements. However, note 21 to these interim condensed financial statements provide statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

The interim condensed financial statements does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2017.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousand.

(b) Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2017.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

2. BASIS OF PREPARATION (continued)

(c) Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017, except as explained below:

a) *New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company*

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2018 and accordingly adopted by the Company, as applicable:

<u>Standard/ Amendments</u>	<u>Description</u>
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 15	Revenue from Contracts with Customers (refer below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014- 2016 cycle.

The adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. IFRS 15 does not apply to “revenue from insurance contracts”. However, entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts).

Management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of a Company's interim condensed financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards 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	See note below
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

IFRS 9 - Financial Instruments

In July 2014, the IASB published IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which replaced the incurred loss model of IAS 39, and new hedge accounting requirements under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2021.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of IFRS 9.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
<i>Insurance operations</i>		
Bank balances and cash	<u>128,272</u>	<u>110,384</u>
<i>Shareholders' operations</i>		
Bank balances and cash	61,253	119,500
Term deposit with original maturity of less than three months	<u>88,924</u>	<u>--</u>
	<u>150,177</u>	<u>119,500</u>
Total	<u><u>278,449</u></u>	<u><u>229,884</u></u>

The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date. During the three-month period ended 31 March 2018, the insurance operations transferred cash of SR 24 million to the shareholders' operations (31 December 2017: SR 420.5 million).

5. TERM DEPOSITS

Term deposits are held with reputable commercial banks and financial institutions. These deposits are predominately in Murabaha structures with a small allocation in Mudaraba structures. They are mostly denominated in Saudi Arabian Riyals and have an original maturity of more than three months and yield financial income at rates ranging from 2.00% to 4.00% per annum. The movements in term deposits during the period ended 31 March 2018 and year ended 31 December 2017 respectively, are as follows:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
<i>Insurance operations</i>		
Balance at beginning of the period/year	2,912,577	3,057,816
Matured during the period/year	(616,936)	(3,057,816)
Placed during the period/year	<u>448,500</u>	<u>2,912,577</u>
	<u><u>2,744,141</u></u>	<u><u>2,912,577</u></u>
<i>Shareholders' operations</i>		
Balance at beginning of the period/year	1,032,806	987,494
Matured during the period/year	(180,585)	(987,494)
Placed during the period/year	<u>459,449</u>	<u>1,032,806</u>
	<u><u>1,311,670</u></u>	<u><u>1,032,806</u></u>
Total	<u><u>4,055,811</u></u>	<u><u>3,945,383</u></u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

6. PREMIUMS RECEIVABLE - NET

Receivables comprise amounts due from the following:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Policyholders	2,069,600	1,013,430
Related parties (note 14)	450	226
	<u>2,070,050</u>	<u>1,013,656</u>
Provision for doubtful receivables	(151,970)	(142,674)
Premiums receivable – net	<u>1,918,080</u>	<u>870,982</u>

7. INVESTMENTS

Investments are classified as follows:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Insurance operations		
Held as FVSI	244,972	411,441
Available for sale	476,295	409,335
	<u>721,267</u>	<u>820,776</u>
Shareholders' operations		
Held as FVSI	186,845	495,966
Available for sale	614,897	404,948
	<u>801,742</u>	<u>900,914</u>
Total	<u>1,523,009</u>	<u>1,721,690</u>

Movements in the investments balance are as follows:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Insurance operations		
Opening balance	820,776	544,090
Purchases during the period/year	344,621	958,724
Disposals during the period/year	(441,621)	(691,317)
Realized gains during the period/year	748	3,559
Unrealized (losses)/gains during the period/year	(3,257)	5,720
	<u>721,267</u>	<u>820,776</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

7. INVESTMENTS (continued)

	31 March 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
Shareholders' operations		
Opening balance	900,914	714,330
Purchases during the period/year	333,105	1,462,848
Disposals during the period/year	(437,827)	(1,289,930)
Realized gains during the period/year	7,150	8,257
Unrealized (losses)/gains during the period/year	(1,600)	5,409
	801,742	900,914

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. Income accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

9. TECHNICAL RESERVES

9.1 Movement in unearned premiums

Movements in unearned premiums are as follows:

	Three months ended 31 March 2018 (Unaudited)		
	Gross SAR'000	Reinsurance SAR'000	Net SAR'000
Balance at 1 January 2018	3,091,079	(5,146)	3,085,933
Premium written/(ceded) during the period	2,489,157	(16,664)	2,472,493
Premium earned during the period	(1,958,569)	20,458	(1,938,111)
	3,621,667	(1,352)	3,620,315
	Year ended 31 December 2017 (Audited)		
	Gross SAR'000	Reinsurance SAR'000	Net SAR'000
Balance at 1 January 2017	3,094,990	(1,356)	3,093,634
Premium written/(ceded) during the year	7,732,961	(68,348)	7,664,613
Premium earned during the year	(7,736,872)	64,558	(7,672,314)
	3,091,079	(5,146)	3,085,933

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

9. TECHNICAL RESERVES (continued)

9.2 Net outstanding claims and reserves

Net outstanding claims and other technical reserves comprise of the following:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Outstanding claims	588,721	450,249
Claims incurred but not reported	1,132,687	871,998
Claims handling reserves	19,289	19,289
	<u>1,740,697</u>	<u>1,341,536</u>
Less:		
- Reinsurers' share of outstanding claims	(352)	(360)
- Reinsurers' share of claims incurred but not reported	(678)	(670)
Net outstanding claims and reserves	<u><u>1,739,667</u></u>	<u><u>1,340,506</u></u>

10. FIDUCIARY ASSETS

During the period ended 31 March 2018 and after getting the approval from SAMA, the Company entered into a Third Party Administration agreement (TPA) with a customer under which the Company facilitates healthcare services to the employees of a customer with specific terms and conditions. The services are remunerated against administration fees. The agreement is effective from 13 Jumada Al-Thani 1439 (corresponding to 1 March 2018).

In order to fulfil the commitment relating to this agreement, the Company has received funds in advance from the customer to settle anticipated claims from medical service providers. As the Company acts as an agent, the relevant bank balance and outstanding claims at the balance sheet date are offset in the interim condensed statement of financial position. The assets and liabilities held in fiduciary capacity amounted to SR 70 million (2017: nil).

11. COMMITMENTS AND CONTINGENCIES

a) The Company's commitments and contingencies are as follows:

	<i>31 March 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Letters of credit	1,200	1,000
Letters of guarantee*	37,843	32,682
Operating commitments	150,363	169,764
Total	<u><u>189,406</u></u>	<u><u>203,446</u></u>

b) The Company is subject to legal proceedings in the ordinary course of business. There was no change in the status of legal proceedings from 31 December 2017.

* At 31 March 2018 the margin deposits against the issued letters of guarantee amounted to SR 37.8 million (2017: SR 32.68 million) placed with the banks. This restricted deposit has been included under prepayments and other assets.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

a) Determination of fair value and fair value hierarchy

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 or identical instrument that an entity can access at the measurement date;

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.

b) Carrying amounts and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

	<i>Fair value</i>				<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
31 March 2018 (Unaudited)					
Financial assets measured at fair value					
- Investments held as FVSI	4,111	427,706	--	431,817	431,817
- Available for sale investments	630,573	460,619	--	1,091,192	1,091,192
	634,684	888,325	--	1,523,009	1,523,009

	<i>Fair value</i>				<i>Carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
31 December 2017 (Audited)					
Financial assets measured at fair value					
- Investments held as FVSI	106,290	801,117	--	907,407	907,407
- Available for sale investments	453,157	361,126	--	814,283	814,283
	559,447	1,162,243	--	1,721,690	1,721,690

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Measurement of fair value

i. Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair value at 31 March 2018 and 31 December 2017, as well as the significant unobservable inputs used.

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Floating rate sukuk and open ended mutual funds	Valuations are based on quotations as received by the custodian at the end of each period and on published net asset value (NAV) closing prices.	Not applicable	Not applicable

13. OPERATING SEGMENTS

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

13. OPERATING SEGMENTS (continued)

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>Operating segments</i>	<i>As at 31 March 2018 (Unaudited)</i>				
	<i>Insurance operations</i>			<i>Shareholders' operations</i>	<i>Total</i>
	<i>Major</i>	<i>Non-major</i>	<i>Total - Insurance operations</i>		
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Assets					
Premiums receivable - net	1,126,816	791,264	1,918,080	--	1,918,080
Reinsurers' share of unearned premiums	--	1,352	1,352	--	1,352
Reinsurers' share of outstanding claims	320	32	352	--	352
Reinsurers' share of claims incurred but not reported	617	61	678	--	678
Deferred policy acquisition costs	36,589	44,720	81,309	--	81,309
Unallocated assets	--	--	3,746,365	2,597,530	6,343,895
Total assets	1,164,342	837,429	5,748,136	2,597,530	8,345,666
Liabilities					
Unearned premiums	1,412,450	2,209,217	3,621,667	--	3,621,667
Outstanding claims	376,781	211,940	588,721	--	588,721
Claims incurred but not reported	724,920	407,767	1,132,687	--	1,132,687
Claims handling reserve	12,345	6,944	19,289	--	19,289
Unallocated liabilities	--	--	389,734	290,201	679,935
Total liabilities	2,526,496	2,835,868	5,752,098	290,201	6,042,299

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

13. OPERATING SEGMENTS (continued)

As at 31 December 2017 (Audited)

<u>Operating segments</u>	<u>Insurance operations</u>		<u>Total – Insurance operations SAR'000</u>	<u>Shareholders' operations SAR'000</u>	<u>Total SAR'000</u>
	<u>Major SAR'000</u>	<u>Non-major SAR'000</u>			
Assets					
Premiums receivable - net	511,677	359,305	870,982	--	870,982
Reinsurers' share of unearned premiums	--	5,146	5,146	--	5,146
Reinsurers' share of outstanding claims	327	33	360	--	360
Reinsurers' share of claims Incurred but not reported	610	60	670	--	670
Deferred policy acquisition costs	31,984	39,092	71,076	--	71,076
Unallocated assets	--	--	4,001,272	2,382,831	6,384,103
Total assets	544,598	403,636	4,949,506	2,382,831	7,332,337
Liabilities					
Unearned premiums	1,236,432	1,854,647	3,091,079	--	3,091,079
Outstanding claims	296,183	154,066	450,249	--	450,249
Claims incurred but not reported	550,055	321,943	871,998	--	871,998
Claims handling reserve	12,345	6,944	19,289	--	19,289
Unallocated liabilities	--	--	316,178	261,494	577,672
Total liabilities	2,095,015	2,337,600	4,748,793	261,494	5,010,287

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

13. OPERATING SEGMENTS (continued)

<i>Operating segments</i>	<i>For the three months ended 31 March 2018</i>		
	<i>(Unaudited)</i>		
	<i>Major</i>	<i>Non-Major</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<u>REVENUES</u>			
Gross premiums written	1,507,523	981,634	2,489,157
Reinsurance premiums ceded – Local	(1,666)	(680)	(2,346)
Reinsurance premiums ceded – International	(10,165)	(4,153)	(14,318)
Net premiums written	1,495,692	976,801	2,472,493
Changes in unearned premiums, net	(304,497)	(229,885)	(534,382)
Net premiums earned	1,191,195	746,916	1,938,111
<u>UNDERWRITING COSTS AND EXPENSES</u>			
Gross claims paid	(831,592)	(509,685)	(1,341,277)
Reinsurers' share of claims paid	7,812	4,788	12,600
Net claims paid	(823,780)	(504,897)	(1,328,677)
Changes in outstanding claims, net	(86,225)	(52,247)	(138,472)
Changes in claims incurred but not reported, net	(162,328)	(98,361)	(260,689)
Net claims incurred	(1,072,333)	(655,505)	(1,727,838)
Policy acquisition costs	(25,120)	(18,190)	(43,310)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(1,097,453)	(673,695)	(1,771,148)
NET UNDERWRITING INCOME	93,742	73,221	166,963
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>			
Allowance for doubtful receivables			(10,847)
Unallocated income			43,115
Unallocated expenses			(189,883)
<u>TOTAL OTHER OPERATING (EXPENSES)/INCOME</u>			(157,615)
<u>NET INCOME FOR THE PERIOD</u>			9,348
Net income attributed to insurance operations after shareholders' absorption of deficit			--
Net income attributed to the shareholders			9,348

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

13. OPERATING SEGMENTS (continued)

<u>Operating segments</u>	<i>For the three months ended 31 March 2017</i>		
	<i>(Unaudited)</i>		
	<i>Major</i>	<i>Non-Major</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
REVENUES			
Gross premiums written	1,338,072	914,698	2,252,770
Reinsurance premiums ceded – Local	(974)	(418)	(1,392)
Reinsurance premiums ceded – International	(10,675)	(4,340)	(15,015)
Net premiums written	1,326,423	909,940	2,236,363
Changes in unearned premiums, net	(180,368)	(179,557)	(359,925)
Net premiums earned	1,146,055	730,383	1,876,438
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(1,054,150)	(592,945)	(1,647,095)
Reinsurers' share of claims paid	7,084	3,971	11,055
Net claims paid	(1,047,066)	(588,974)	(1,636,040)
Changes in outstanding claims, net	(2,804)	(4,775)	(7,579)
Changes in claims incurred but not reported, net	(10,767)	(14,606)	(25,373)
Net claims incurred	(1,060,637)	(608,355)	(1,668,992)
Policy acquisition costs	(29,300)	(21,218)	(50,518)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,089,937)	(629,573)	(1,719,510)
NET UNDERWRITING INCOME	56,118	100,810	156,928
OTHER OPERATING (EXPENSES)/ INCOME			
Reversal of doubtful receivables			13,515
Unallocated income			41,364
Unallocated expenses			(172,109)
TOTAL OTHER OPERATING (EXPENSES)/INCOME			(117,230)
NET INCOME FOR THE PERIOD			39,698
Net income attributed to insurance operations after transfer of surplus payable			(3,005)
Net income attributed to the shareholders			36,693

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

14. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the period ended</u>		<u>Receivable/(payable) balance as at</u>	
		<u>31 March 2018 (Unaudited) SR'000</u>	<u>31 March 2017 (Unaudited) SR'000</u>	<u>31 March 2018 (Unaudited) SR'000</u>	<u>31 December 2017 (Audited) SR'000</u>
Shareholders	Insurance premium written	1,651	2,504	450	226
Shareholders	Reinsurance Premium ceded	1,025	1,268	(12,097)*	(11,476)*
Shareholders	Claims paid	711	608	(72)	(1,118)
Shareholders	Medical costs charged by providers	2,559	795	--	(138)
Shareholders	Expenses charged to/from a related party-net	274	2	(1,894)*	(1,620)*
Shareholders	Tax equalisation - net	--	--	(1,169)*	(1,169)*
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee	4,886	4,728	(24,207)*	(19,321)*

* Amounts due to related parties amounted to SR 39,367 thousand (2017: SR 33,586 thousand).

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

	<u>31 March 2018 (Unaudited) SAR'000</u>	<u>31 March 2017 (Unaudited) SAR'000</u>
Short-term benefits	6,034	4,912
Long-term benefits	1,661	2,170
	<u>7,695</u>	<u>7,082</u>

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

15. ZAKAT AND INCOME TAX

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 FVSI 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 an 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 an additional contingent provision for Zakat.

Also, 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.

Movements in the Zakat and income tax accrued during the period ended 31 March 2018 and year ended 31 December 2017 respectively are as follows:

	<i>Zakat Payable</i>	<i>Income tax Payable</i>	<i>Total 31 March 2018 (Unaudited)</i>	<i>Total 31 December 2017 (Audited)</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Balance at beginning of the year	144,326	4,378	148,704	116,953
Provided during the period/year	12,644	9,923	22,567	79,229
Payments during the period/year	--	--	--	(47,478)
Balance at end of the period/year	156,970	14,301	171,271	148,704

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

16. SHARE CAPITAL

The authorised, issued and paid up capital of the Company was SAR 800 million at 31 March 2018 (31 December 2017: SAR 800 million) consisting of 80 million shares (31 December 2017: 80 million shares) of SAR 10 each.

Shareholding structure of the Company is as below.

	<i>31 March 2018 (Unaudited)</i>	
	<i>Holding</i>	
	<i>Percentage</i>	<i>SAR'000</i>
Major shareholders	52.3%	418,710
General Public	47.7%	381,290
	100.0%	800,000
	<i>31 December 2017 (Audited)</i>	
	<i>Holding</i>	
	<i>Percentage</i>	<i>SAR'000</i>
Major shareholders	52.3%	418,710
General Public	47.7%	381,290
	100.0%	800,000

17. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of the paid-up share capital. The Company makes this transfer on an annual basis at 31 December. As at 31 March 2018, SR 504.02 million (31 December 2017: SR 504.02 million) had been set aside as a statutory reserve, representing 63% (31 December 2017: 63%) of the paid-up share capital.

18. SHARE BASED PAYMENT

The Company offers a Long-Term Incentive Plan (LTIP), to certain eligible executives and the purpose of the scheme is to incentivise 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 years 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 being approved by the Board of Directors.

The cost of the plan is recognised 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, recognised 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 recognised as at the beginning and end of that year.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

18. SHARE BASED PAYMENT (continued)

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 equity, as per the requirements of 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 purchased / (delivered/disposed) – net</i>	<i>The grant date fair value of the shares</i>	<i>Amount 31 March 2018 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
March 2018	(10,210)	139	(1,416)
Total	237,171		27,499

* 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 new Saudi Arabia laws and regulations.

19. CAPITAL MANAGEMENT

Objectives are set by the Board of Directors of the Company to maintain healthy capital ratios to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the regulatory capital requirements during the reported financial period.

20. EARNINGS PER SHARE

The basic and diluted earnings per share have been calculated by dividing 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION

Interim condensed financial position

	<i>31 March 2018 (Unaudited)</i>			<i>31 December 2017 – (Audited)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
ASSETS						
Cash and cash equivalents	128,272	150,177	278,449	110,384	119,500	229,884
Term deposits	2,744,141	1,311,670	4,055,811	2,912,577	1,032,806	3,945,383
Premiums receivables - net	1,918,080	--	1,918,080	870,982	--	870,982
Investments	721,267	801,742	1,523,009	820,776	900,914	1,721,690
Reinsurers' share of unearned premiums	1,352	--	1,352	5,146	--	5,146
Reinsurers' share of outstanding claims	352	--	352	360	--	360
Reinsurers' share of claims incurred but not reported	678	--	678	670	--	670
Deferred policy acquisition costs	81,309	--	81,309	71,076	--	71,076
Due from insurance operations	--	--	--	--	200,000	200,000
Prepaid expenses and other assets	152,685	14,927	167,612	157,535	12,993	170,528
Statutory deposit	--	80,000	80,000	--	80,000	80,000
Accrued income on statutory deposit	--	5,529	5,529	--	5,121	5,121
Fixtures, furniture and equipment - net	--	96,766	96,766	--	93,617	93,617
Intangible assets	--	38,719	38,719	--	39,880	39,880
Goodwill	--	98,000	98,000	--	98,000	98,000
	5,748,136	2,597,530	8,345,666	4,949,506	2,582,831	7,532,337
Less: Inter-operation elimination	--	--	--	--	(200,000)	(200,000)
TOTAL ASSETS	5,748,136	2,597,530	8,345,666	4,949,506	2,382,831	7,332,337

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION (continued)

Interim condensed financial position (continued)

	<i>31 March 2018 (Unaudited)</i>			<i>31 December 2017 (audited)</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
<u>LIABILITIES</u>						
Accrued and other liabilities	206,320	7,005	213,325	137,984	7,614	145,598
Reinsurers' balances payable	55,253	--	55,253	39,613	--	39,613
Unearned premiums	3,621,667	--	3,621,667	3,091,079	--	3,091,079
Outstanding claims	588,721	--	588,721	450,249	--	450,249
Claims incurred but not reported	1,132,687	--	1,132,687	871,998	--	871,998
Claims handling reserve	19,289	--	19,289	19,289	--	19,289
Due to related parties	--	39,367	39,367	--	33,586	33,586
Due to shareholders' operations	--	--	--	200,000	--	200,000
Insurance operations' surplus payable	128,161	--	128,161	138,581	--	138,581
Zakat and income tax	--	171,271	171,271	--	148,704	148,704
Accrued income payable to SAMA	--	5,529	5,529	--	5,121	5,121
Provision for end-of-service benefits	--	67,029	67,029	--	66,469	66,469
	5,752,098	290,201	6,042,299	4,948,793	261,494	5,210,287
Less: Inter-operation elimination	--	--	--	(200,000)	--	(200,000)
TOTAL LIABILITIES	5,752,098	290,201	6,042,299	4,748,793	261,494	5,010,287
<u>EQUITY</u>						
Share capital	--	800,000	800,000	--	800,000	800,000
Shares held under employees share scheme	--	(27,499)	(27,499)	--	(28,915)	(28,915)
Statutory reserve	--	504,025	504,025	--	504,025	504,025
Share based payments	--	17,304	17,304	--	17,220	17,220
Investments fair value reserve	(3,962)	(4,169)	(8,131)	713	(1,880)	(1,167)
Retained earnings	--	1,017,668	1,017,668	--	1,030,887	1,030,887
TOTAL EQUITY	(3,962)	2,307,329	2,303,367	713	2,321,337	2,322,050
<u>TOTAL LIABILITIES AND EQUITY</u>	5,748,136	2,597,530	8,345,666	4,749,506	2,582,831	7,332,337

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income

	<i>For the three-month period ended 31 March (Unaudited)</i>					
	2018			2017		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<u>REVENUES</u>						
Gross premiums written	2,489,157	--	2,489,157	2,252,770	--	2,252,770
Reinsurance premiums ceded - Local	(2,346)	--	(2,346)	(1,392)	--	(1,392)
Reinsurance premiums ceded - International	(14,318)	--	(14,318)	(15,015)	--	(15,015)
Net premiums written	2,472,493	--	2,472,493	2,236,363	--	2,236,363
Changes in unearned premiums, net	(534,382)	--	(534,382)	(359,925)	--	(359,925)
Net premiums earned	1,938,111	--	1,938,111	1,876,438	--	1,876,438
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(1,341,277)	--	(1,341,277)	(1,647,095)	--	(1,647,095)
Reinsurers' share of claims paid	12,600	--	12,600	11,055	--	11,055
Net claims paid	(1,328,677)	--	(1,328,677)	(1,636,040)	--	(1,636,040)
Changes in outstanding claims, net	(138,472)	--	(138,472)	(7,579)	--	(7,579)
Changes in claims incurred but not reported, net	(260,689)	--	(260,689)	(25,373)	--	(25,373)
Net claims incurred	(1,727,838)	--	(1,727,838)	(1,668,992)	--	(1,668,992)
Policy acquisition costs	(43,310)	--	(43,310)	(50,518)	--	(50,518)
TOTAL UNDERWRITING COSTS AND EXPENSES	(1,771,148)	--	(1,771,148)	(1,719,510)	--	(1,719,510)
NET UNDERWRITING INCOME	166,963	--	166,963	156,928	--	156,928

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of income (continued)

	<i>For the three-month period ended 31 March (Unaudited)</i>					
	2018			2017		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
(Allowance)/reversal for doubtful debts provision	(10,847)	--	(10,847)	13,515	--	13,515
General and administrative expenses	(103,419)	(2,310)	(105,729)	(87,553)	(2,212)	(89,765)
Selling and marketing expenses	(84,154)	--	(84,154)	(82,344)	--	(82,344)
Commission income	20,768	12,951	33,719	27,830	11,205	39,035
Unrealized gains on investments	1,418	689	2,107	1,069	429	1,498
Realized gains on investments	748	7,150	7,898	601	230	831
Other loss	--	(609)	(609)	--	--	--
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(175,486)	17,871	(157,615)	(126,882)	9,652	(117,230)
NET INCOME FOR THE PERIOD	(8,523)	17,871	9,348	30,046	9,652	39,698
Absorption of deficit by shareholders	8,523	(8,523)	--	--	--	--
Transfer of surplus to shareholders	--	--	--	(27,041)	27,041	--
<u>NET RESULT FROM OPERATIONS AFTER SHAREHOLDERS' ABSORPTION OF DEFICIT / TRANSFER OF SURPLUS</u>	--	9,348	9,348	3,005	36,693	39,698
Weighted average number of ordinary outstanding shares (in thousands)		79,755			79,813	
Basic earnings per share (Expressed in SAR per share)		0.12			0.46	

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of comprehensive income

	<i>For the three-month period ended 31 March (Unaudited)</i>					
	2018			2017		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	
Net result from operations after Shareholders' absorption of deficit / transfer of surplus	(8,523)	17,871	9,348	3,005	36,693	39,698
Other comprehensive (loss) /income						
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>						
- Net change in fair value of available-for-sale investments	(4,675)	(2,289)	(6,964)	191	1,206	1,397
<u>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD BEFORE TRANSFER OF SURPLUS</u>	(13,198)	15,582	2,384	3,196	37,899	41,095
Reconciliation:						
Less: Net income attributable to insurance operations transferred to surplus payable						(3,005)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			2,384			38,090

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of cash flows

	<i>For the three months period ended 31 March (Unaudited)</i>					
	2018			2017		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net profit for the period	--	9,348	9,348	3,005	36,693	39,698
<u>Adjustments for non-cash items:</u>						
Depreciation of property and equipment	2,890	--	2,890	1,111	--	1,111
Amortization of intangible assets	1,486	--	1,486	2,902	--	2,902
Provision for LTIP	--	1,500	1,500	--	(2,351)	(2,351)
Allowance for/(reversal of) doubtful receivables	10,847	--	10,847	(13,515)	--	(13,515)
Unrealized gains on investments	(1,418)	(689)	(2,107)	(1,069)	(429)	(1,498)
Realized gains on investments	(748)	(7,150)	(7,898)	(601)	(230)	(831)
Provision for end-of-service benefits	--	4,454	4,454	--	3,509	3,509
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(1,057,945)	--	(1,057,945)	(540,115)	--	(540,115)
Reinsurers' share of unearned premiums	3,794	--	3,794	(492)	--	(492)
Reinsurers' share of outstanding claims	8	--	8	--	--	--
Reinsurers' share of claims incurred but not reported	(8)	--	(8)	--	--	--
Deferred policy acquisition costs	(10,233)	--	(10,233)	3,989	--	3,989
Prepaid expenses and other assets	4,850	(1,934)	2,916	(5,299)	95	(5,204)
Accrued and other liabilities	68,336	(609)	67,727	(240)	4,512	4,272
Reinsurers' balances payable	15,640	--	15,640	13,399	--	13,399
Unearned premiums	530,588	--	530,588	360,417	--	360,417
Outstanding claims	138,472	--	138,472	7,579	--	7,579
Claims incurred but not reported	260,689	--	260,689	25,373	--	25,373
Due to related parties	--	5,781	5,781	--	5,666	5,666
Due to shareholders' operations	(204,376)	204,376	--	(152,490)	152,490	--
	(237,128)	215,077	(22,051)	(296,046)	199,955	(96,091)
End-of-service benefits paid	--	(3,894)	(3,894)	--	(1,252)	(1,252)
Surplus paid to policyholders	(10,420)	--	(10,420)	(30,067)	--	(30,067)
Net cash (used in)/from operating activities	(247,548)	211,183	(36,365)	(326,113)	198,703	(127,410)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2018

21. SUPPLEMENTARY INFORMATION (continued)

Interim condensed statement of cash flows (continued)

	<i>For the three months period ended 31 March (Unaudited)</i>					
	<i>2018</i>			<i>2017</i>		
	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Share-holders' operations</i>	<i>Total</i>
<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Placement in term deposits	(448,500)	(459,449)	(907,949)	(656,936)	(355,672)	(1,012,608)
Proceeds from maturity of term deposits	616,936	180,585	797,521	922,087	286,840	1,208,927
Additions in investments	(344,621)	(333,105)	(677,726)	(133,545)	(182,608)	(316,153)
Disposals of investments	441,621	437,827	879,448	200,245	17,619	217,864
Additions in fixtures, furniture and equipment	--	(6,039)	(6,039)	--	(17,275)	(17,275)
Intangible assets acquired	--	(325)	(325)	--	(314)	(314)
Disposal of shares under LTIP	--	--	--	--	5,548	5,548
Net cash generated from/(used in) investing activities	265,436	(180,506)	84,930	331,851	(245,862)	85,989
Net change in cash and cash equivalents	17,888	30,677	48,565	5,738	(47,159)	(41,421)
Cash and cash equivalents at beginning of the period	110,384	119,500	229,884	132,030	93,800	225,830
Cash and cash equivalents at end of the period	128,272	150,177	278,449	137,768	46,641	184,409

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and regrouped to conform with the current period's presentation as disclosed in note 2 to these interim condensed financial statements.

- The amounts "due to/from" shareholders and insurance operations which were previously reported separately in the respective interim condensed statement of financial position, are now eliminated. In addition 90/10 split of the surplus from insurance operations between shareholders and insurance operations are presented separately in the supplementary information (refer note 21).

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements has been approved by the Board of Directors, on 17 Shaban 1439H, corresponding to 3 May 2018.