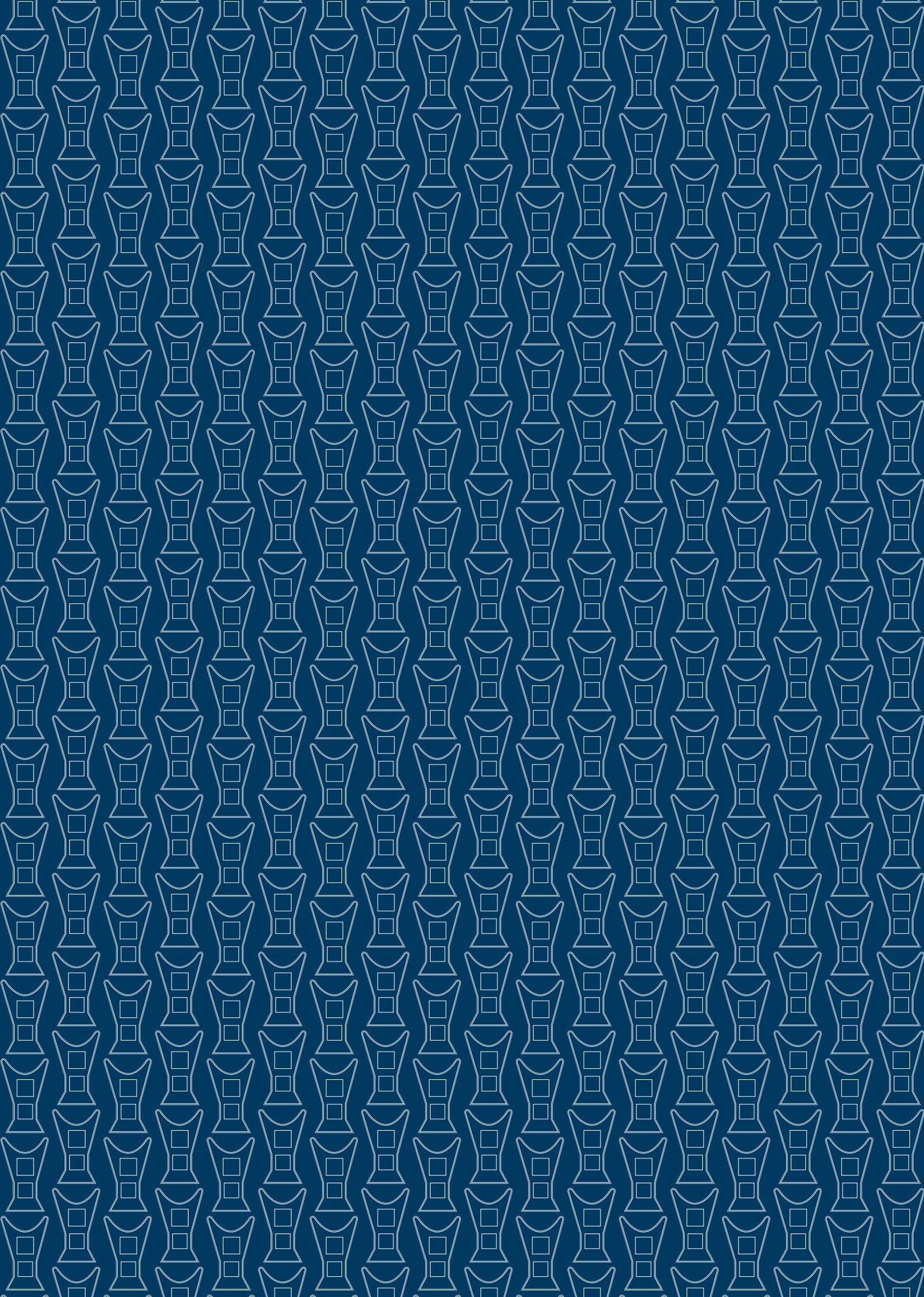




ANNUAL REPORT 2014

LIVE LONGER,
HEALTHIER,
HAPPIER LIVES





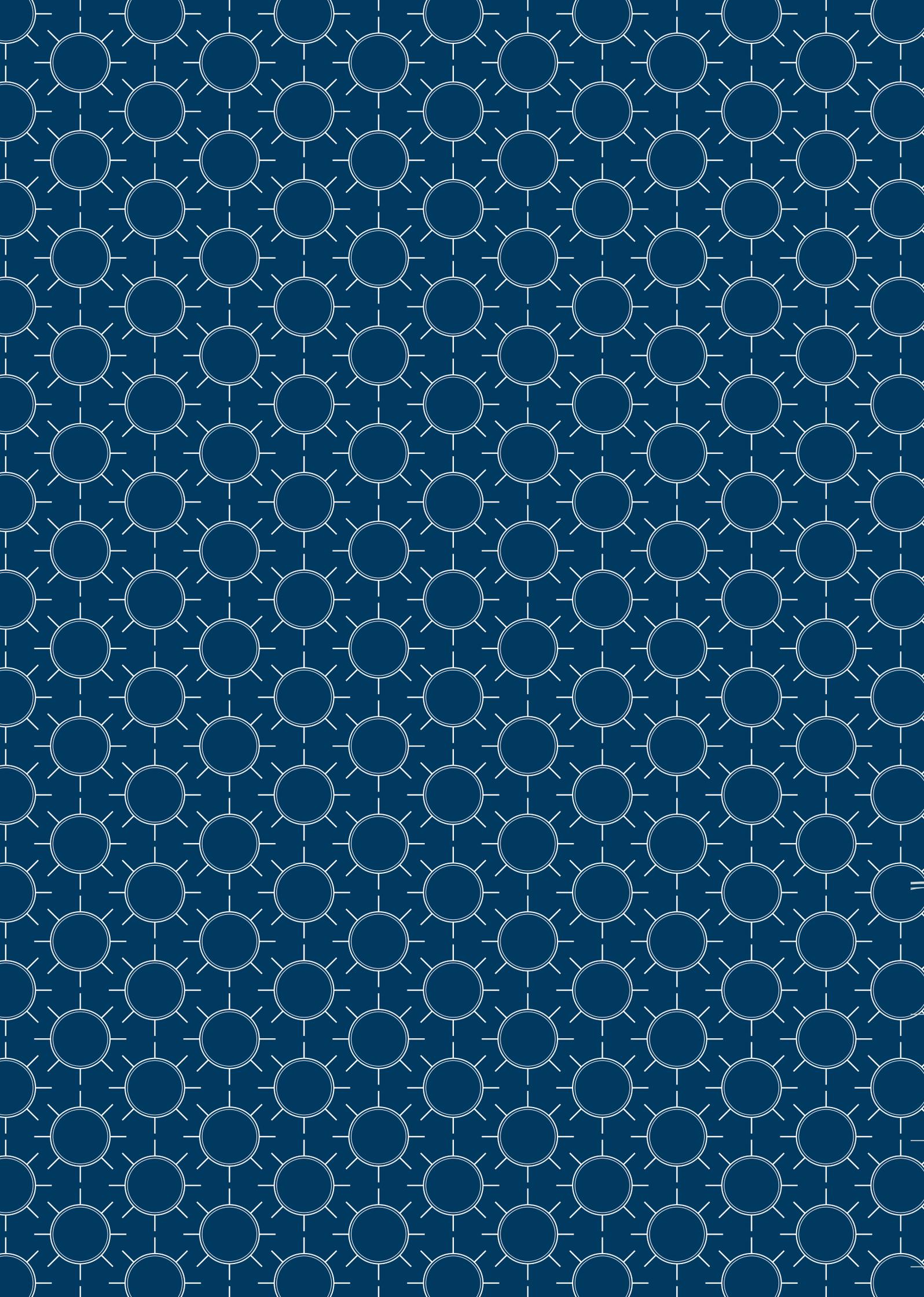
King Salman bin Abdulaziz Al Saud
Custodian of the Two Holy Mosques



HRH Mohammad bin Nayef Al Saud
Crown Prince, Deputy Prime Minister and the
Minister of Interior



HRH Mohammad bin Salman Al Saud
Deputy Crown Prince and Minister of Defense





BUPA ARABIA ANNUAL REPORT 2014

CONTENTS

Mission and Values	1
Chairman's Message	2
CEO's Message	3-4
Board Members' Profiles	6-8
Bupa Arabia Competitive Advantages	9
Bupa Group	10
Bupa Around the World	11-12
HCO Services	13
Recognizing Our Care	14
Board Report	15-39
Financial Statements	40-77

OUR MISSION

TO BE THE HEALTHCARE LEADER IN SAUDI ARABIA BY
TAKING CARE OF THE LIVES IN OUR HANDS

OUR VALUES

PASSIONATE

- Full of energy and inspiration
- Love what we do and why we do it
- Love our customers

CARING

- Big-hearted and compassionate
- Treat people with respect and kindness
- Everyone and everything matters

OPEN

- Seek new ideas and other points of view
- Share freely
- Really listen and understand
- Embrace diversity

AUTHENTIC

- True to yourself
- Genuine and honest
- Say what we mean, mean what we say

ACCOUNTABLE

- Always responsible
- Take ownership
- Make it happen

COURAGEOUS

- Be brave
- Dare to try
- Speak up

EXTRAORDINARY

- Go above and beyond
- Be the best we can dream to be
- Deliver outstanding results



“2014 represented a significant and positive turning point for profitability of the Health Insurance sector in the Kingdom”.



“Our purpose remains to help people live longer, healthier and happier lives”.

By our calculations, the sector delivered underwriting contribution of nearly SR2.8b, an increase of over 325% from the 2013 contribution of SR650m. The strong government intervention played a large and helpful role in this recovery. SAMA's continued action to prevent the pricing of health insurance below risk cost curtailed the extreme price pressure in the private medical insurance market that was seen in 2013, with subsequent price increases that allowed some margin recovery to return to the sector. This, in conjunction with the increased benefit coverage from CCHI, will allow the industry to return to a more sustainable level of competition and profitability and enable the continued delivery of highly valued products and services to customers.

Growth in the Health Insurance sector accelerated from previous years, with written premiums growing 22%.

More rational pricing, and rising benefits in the second half, resulted in a growth in written premiums of 22%, up from the 13 - 16% growth of the last three years. We anticipate that healthy levels of organic growth will continue, bringing the penetration of insurance in the Kingdom more in line with world standards, due to a combination of:

- Continued population growth
- The strength of the economy and expansion of the workforce
- The ageing of the population and

the growing burden of chronic disease

- Regulatory support ensuring health insurance is provided to all required parties.
- The potential for expansion of Health Insurance to a greater proportion of the Saudi population who will demand better products and services to meet their needs.

In 2014, Bupa Arabia became the Kingdom's largest Health Insurance provider, a result of which we are very proud.

Bupa Arabia stayed true to its purpose of “helping people live longer, healthier and happier lives”. As such, we have focused on improving our differentiation and clinical credentials as a healthcare leader. As a result, our written premiums surged in 2014 – our full year written premium rose by more than 80% to reach SR5.7b, up over SR2.5b on the prior year. This is a positive result of our strategy of investing in valued products and services for existing and potential customers. Importantly, the business delivered a pre-tax/zakat result of some SR301m, maintaining our consistent track record of profitable growth.

Bupa Arabia is committed to sustainability and being a socially responsible partner and is focused on helping to promote and develop the healthcare capability in the Kingdom.

longer, healthier and happier lives and we remain committed to enabling our customers, partners and employees to have access to all appropriate options to facilitate their best healthcare outcomes.

Bupa Arabia is equally passionate about its Corporate Social Responsibility (CSR) activities and achievements. During 2014 we received three CSR awards as we continued to provide free health insurance cover, to all orphans living under the sponsorship of the Ministry of Social Affairs, and we have also launched a training/hiring program for the orphans as well. On the wellness front, we engaged nearly 800 employees in our quarterly medical check-up program and over 600 employees in our wellness activities/campaigns, through which employees lost a collective 8% body fat loss throughout the year.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our employees, and the leadership team of the business, for delivering a set of results that have led the market. The enclosed Annual Report and Accounts includes an overview of some of the important achievements made during 2014.

I would also like to express my appreciation for the dedication and support to all our stakeholders, be they shareholders, clients, partners, regulators or service providers for their continued commitment and contribution.

Eng. Loay Hisham Nazer

“Our purpose is to help customers “live longer, healthier and happier lives”.



Only by delivering this can we justify our premium and continue to grow Bupa Arabia; our only sustainable advantage is the value of our proposition and the quality and commitment of our employees.

In 2014, this mindset and approach enabled us to deliver impressive results.

Performance Headlines

- Earned premiums grew by 76%, improving our market share of the health sector by over 10pp to exceed 36% for the year.
- We won some major new accounts, including SABIC and Abdullatif Jamil.
- Our 2014 loss ratio (claims as a proportion of earned premium) was 79.4%, a slight improvement over the 80.4% achieved in 2013.
- We reported significant growth in pre-tax/post-zakat profits, up to SR301m in 2014, an increase of SR154m and more than double the SR147m pre-tax/post-zakat profits of 2013. This enabled Bupa Arabia to maintain its position as the most profitable player in the health insurance sector.
- At the end of 2014, we had surplus

cash and investments of SR0.6b versus technical reserves (SR3.8b versus SR3.2b, +18%).

Market Dynamics

Thanks to SAMA's intervention preventing the pricing of health insurance below risk cost, the extreme price pressure in the private medical insurance market abated from the first quarter of 2014. This provided a competitive landscape that enabled some margin recovery from the relatively low premium rates experienced in 2013, allowing some insurers to recover from their 2013 losses. CCHI also improved benefits from July 2014, giving our customers increased protection going forward.

We continue to have a positive long-term view of the health insurance market. Economic growth, along with a growing and ageing population and continued increases in the prevalence of chronic disease, will result in a positive backdrop for the health insurance market.

Sales and Marketing

We continued to strengthen our distribution capability in 2014 and also developed valued products and services that deliver positive healthcare outcomes for our customers. In the Corporate sector, we achieved an enhanced presence in all three regions, specifically the Central region. Bupa Arabia also expanded its international capability and secured significant new domestic accounts, including SABIC and Abdullatif Jamil. This enabled Bupa Arabia to claim market leadership for the first time during 2014, and Bupa Arabia's health insurance market share grew from 25% to 36%, based on

published segmented results.

During 2014, Bupa Arabia also established a successful relationship with the Al-Hilal Football Club, becoming their healthcare partner. This built on the successful partnership formed between Bupa in Spain (Sanitas), and the Real Madrid FC. Under the agreement, Bupa Arabia will provide integrated health and fitness services to the club. These services, provided uniquely to Al-Hilal FC, will include the best medical care, supported by a long list of the best medical centres and hospitals in the Kingdom, the Gulf and Spain. In addition, Bupa Arabia will provide a dedicated team to manage the health insurance of the players, and their families, to deliver a smooth experience.

Claims Management

As a result of the continued increase in the demand for healthcare, provision in the private sector will run at high utilization rates for the foreseeable future, despite the increase in provision capacity announced by the government. There is a risk that this will result in a lack of innovation in consumer experience and further increases in the price of healthcare from providers.

Specifically, high provision utilization rates means that price management at high-end tertiary care hospitals remains a key challenge, as does abuse and fraud at lower end primary care centres. Whilst we attempt to tackle these issues to the best of our ability, these problems warrant better regulatory control and alignment amongst the industry participants and a greater contestability.

We maintained a focused strategy in terms of claims and fraud management. During 2014, the Bupa Arabia provision network was enhanced by the addition of 107 new providers within Saudi Arabia and 84 new providers in our International network to support significant growth in our Corporate and Retail sectors. There was also the closure/network removal of 118 providers, for a variety of reasons ranging from license concerns to fraud.

Healthcare Operations

Bupa Arabia continues to invest in service delivery by enhancing our capabilities, systems and service proposition, aligned with a high performance culture and service excellence mindset (a continuation of the “Up Your Service Passion” program launched in 2011).

The Healthcare Operations (HCO) unit managed to engage significant numbers of existing Bupa Arabia members through the expansion and addition of new HCO services that cater to diverse segments and to more specific medical needs, such as:

- Chronic Disease Management
- Maternity Care and Baby Vaccination
- Expanding Home Based Laboratories
- International Second Medical Opinion

Also, the Healthcare Operations unit launched the wellness program initiative, delivering on Bupa Arabia’s promise to be a healthcare partner, conducting various seminars and education sessions on various health topics, including stress management, weight management, and CPR.

Information Technology

In 2014, Bupa Arabia advanced and modernized its Information Technology foundation; this will directly contribute to achieving the company’s strategic goals. Importantly, we took the decision to introduce Microsoft CRM to further improve functionality and enable Bupa Arabia’s commercial and operational functions. This will improve lead conversion and customer retention, customer service and our Healthcare Operations. It will also ensure the benefits of the new CRM platform will be felt by customers, staff and management. We also launched our smart phone applications for our customers to enable them to access variety of services effectively at a click of a button.

The IT Strategy is progressing well, where functions and capabilities have been restructured to better support the Bupa Arabia strategy. Additionally, significant automation and operational performance improvements were successfully implemented, particularly for Healthcare Operations, which reported a remarkable 30% efficiency improvement. Core elements of the Bupa Arabia IT Infrastructure were also upgraded and several technical audit exercises were successfully conducted.

The Capability and Engagement of our People

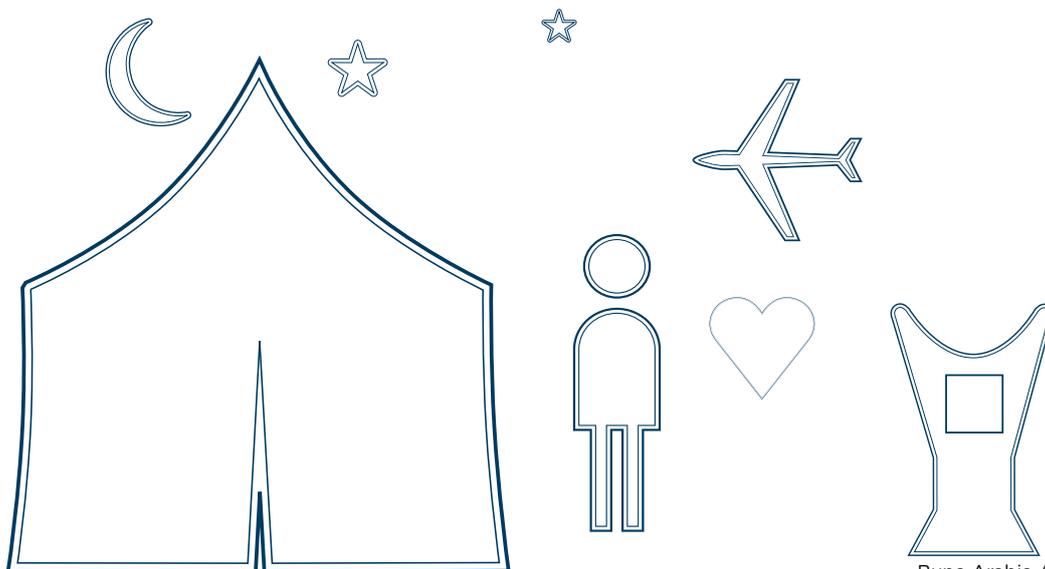
Our purpose remains to help people live longer, healthier and happier lives and we are clear that this applies not only to our customers, but also to our employees, as we believe that engaged, positive employees, who are treated fairly and with respect, will better serve our customers and drive business growth and success.

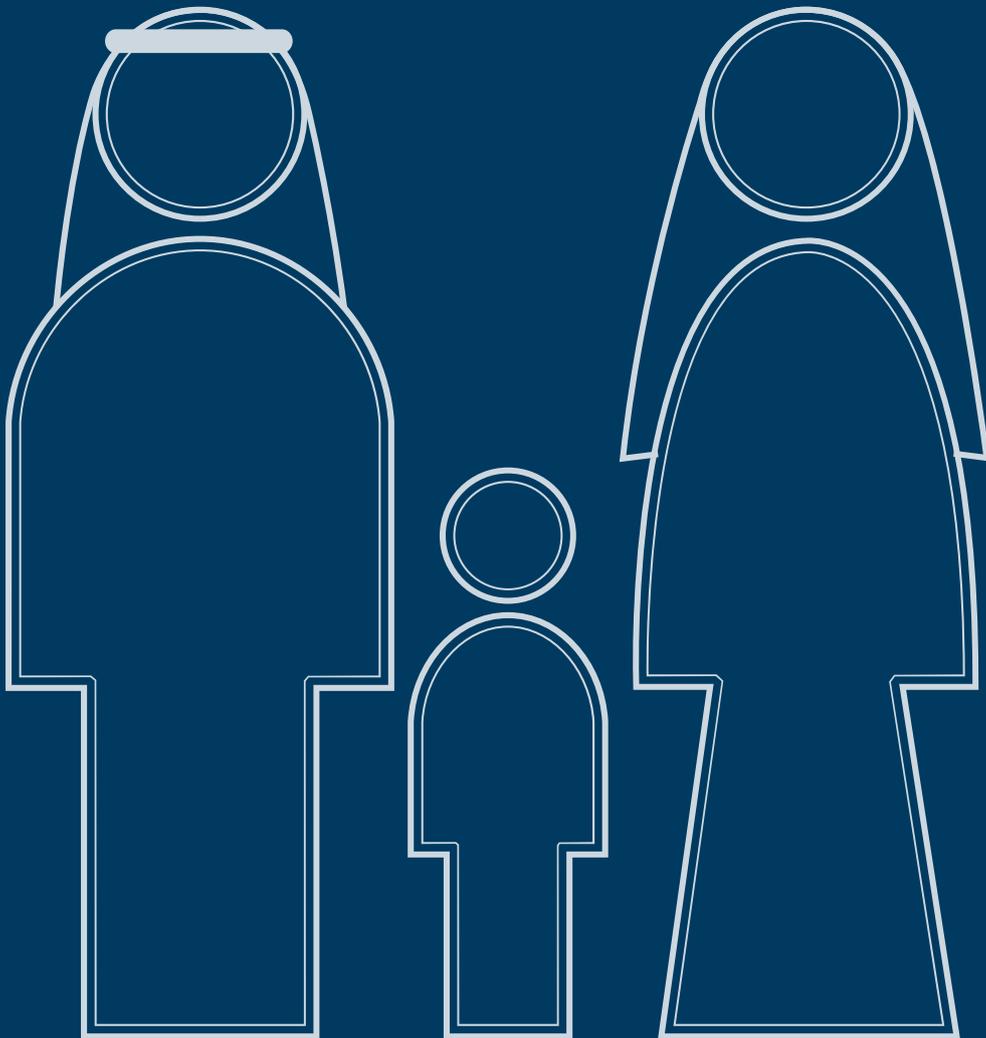
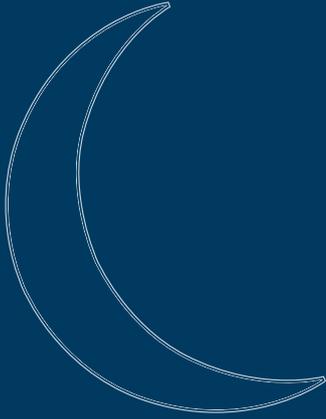
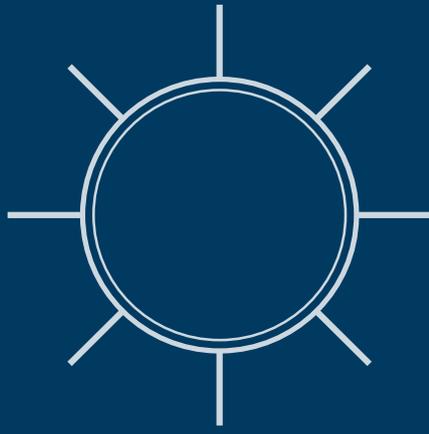
In 2014, our workforce increased by 30%, reaching approximately 1,300 employees. In addition, we increased overall Saudisation to 62% (platinum); the Saudi proportion of our Senior Management Team (comprising Chiefs and Directors) increased to 56% in 2014, from 2013 at 47%.

We are focused on developing the best talent in the industry: attracting, retaining, motivating and developing our people effectively. To do this, we implemented a number of initiatives during 2014, including new recruiting and training processes to ensure we build and develop a workforce that can support significant growth and continue to deliver the best products and services in the industry. As a result, Bupa Arabia won several awards during 2014, including 10th place in “Great Place to Work in Saudi Arabia” (large corporation category) and “Best Saudi Company to Work For” (female category).

I would like to personally thank everyone at Bupa Arabia who works diligently every day to deliver our purpose: “people live longer, healthier, happier lives”. Without them, we would not have secured the success that we did in 2014; I’m particularly proud that we are now the biggest and most profitable health insurer in the Kingdom. As I said last year, I believe Bupa Arabia has never been stronger and we are well placed to continue to grow our business successfully and profitably. Our focus is to always deliver more for our customers and our partners and, we believe, the needs of the Kingdom. I invite you to study this Annual Report to get a more detailed insight into our performance during 2014.

Tal Hisham Nazer







**BUPA
ARABIA
BOARD
MEMBERS**



**1****Eng. Loay Hisham Nazer,**
Chairman

Loay Hisham Nazer is the founder and Chairman of Nazer. Mr. Nazer started and continues to operate several companies in a variety of businesses including, health insurance, hospital procurement solutions, Dialysis Clinics, public relations, and asset management. He is also the Chairman of Bupa Arabia, a publicly listed company on the Saudi stock exchange that specializes in health insurance. The company operates in Saudi Arabia, the GCC countries and across the Middle East.

Mr. Nazer has a B.S. in Mechanical Engineering from the University of California in Los Angeles (UCLA, 1987) and received his Masters Degree in Business Administration (MBA) from the Anderson Graduate School of Management at UCLA (1989). In June 2005, Nazer was awarded an Honorary Doctorate of Humane Letters from Goodwin College in Connecticut, USA.

In 2013, Mr. Nazer was invited to join the Board of Visitors of the UCLA Anderson School of Management. Mr. Nazer was elected to serve as the Chairman of the International Board of Directors for the year 2006-2007 of the Young Presidents' Organization, a global non-profit organization of over 16,000 Chairmen and CEOs under the age of 50. He has made lasting impressions on the international organization with such profound contributions as "*YPO Making a Difference.*"

In October 2013, Mr. Nazer was appointed by the President of the Saudi Arabian Olympic Committee as Chairman of the Saudi Arabian Judo Federation for 3 years, and in April 2015, he was elected as the Vice-Chairman of the Saudi Olympic Committee.

Mr. Nazer was nominated and selected by the World Economic Forum as a member of the Young Global Leaders (YGL), "a community of extraordinary leaders under the age of 40." In 2010, he became a member of the first class of the Aspen Institute Leadership Fellows in the Middle East and was selected as one of UCLA Anderson's Business School "*100 Inspirational Alumni*" in the 75 years history of the school.

In 2007, Mr. Nazer was appointed by the Saudi Council of Ministers as a Board member of the Cooperative Council for Health Insurance, the official regulatory body for health insurance in Saudi Arabia, representing the private sector. He is the leading negotiator with the various governmental institutions for the development of the insurance industry in the country. He was re-appointed in 2010 to serve a second term of three years as a member of the Board.

Mr. Nazer lectures regionally on globalization and *Principled-Decision making*. He has been quoted many times in the Western press on issues related to Saudi Arabia and was interviewed on CNN's Business Today, MSNBC Europe's Gateway to the Middle East, and was the main guest on "Bridges," an hour-long Saudi television program designed to improve Saudi-West relations.

Mr. Nazer has three children: Lana (1990), Hisham (1992) and Tan (1997). He enjoys golf, running, biking, basketball, soccer, and many other sports.

**2****Mr. Tal Hisham Nazer,**
Executive Director

Mr. Tal Hisham Nazer has been the Chief Executive Officer of Bupa Arabia since 2008. Leading this top and fast growing specialized health care company to higher standards, his relationship circle has widened and strengthened in the insurance market in Saudi Arabia with regulators, healthcare providers and the insured.

Mr. Tal Nazer serves as a Board member on various companies and committees. He is a Board member of Arabian Medical Marketing Co. Ltd Nawah and the Chairman of the Saudi Arabia Monetary Agency (SAMA)'s Insurance General Committee. Mr. Tal Nazer is also a Board Member of the Human Resources Development Fund (HRDF) and a member of the Young Presidents Organization (YPO) and also the Young Global Leaders (YGL).

Mr. Tal Nazer holds an MBA from The Wharton School, Pennsylvania, USA (in Finance and Buyouts, completed in 2001) and a BA in Economics from the University of California at Los Angeles (completed in 1996).

**3****Mr. Abdulhadi A. Shayif,**
Director-Independent

Mr. Abdulhadi A. Shayif is a Board member and the Chairman of the Audit Committee at Bupa Arabia. After graduating in Economics from the American University of Beirut, he started his distinguished career with the National Commercial Bank and was later appointed the General Manager and member of the Board of Directors and executive committee. In addition to Bupa Arabia, Abdulhadi A. Shayif also sits on a number of Boards within and outside the Kingdom of Saudi Arabia.

In Saudi Arabia, Abdulhadi A. Shayif serves as a Board member and the Chairman of various committees at the Saudi Arabia Airlines, Saudi Hollandi Bank, Arab Cement Company and the Deutsche Securities Saudi Arabia. Outside Saudi Arabia, he is a Board member at Byblos Bank in Beirut and the Chairman of FWU International advisory Board, Munich.

Previously, he has also served as a Board member at the Saudi Railways Organization, the General Organization for Social Insurance, and a number of other boards. He Received the Grand Cordon of the Order of Al-Istiqlal (Independence) from King Abdullah the Second of the Hashemite Kingdom of Jordan.

**4****Mr. Aamer Abdullah Alireza,**
Director-Independent

Mr. Aamer A. Alireza joined the Bupa Arabia Board in March 2008.

He is also a Board Member of the Xenel Group of Companies, the Managing Director of its Services Division, and a Board Member of a number of its subsidiaries and affiliates. He is also the Chief Executive Officer of Red Sea Gateway Terminal (RSGT) and its affiliate, Saudi Trade & Export Development Company (Tusdeer), and a Board Member of its parent company, Saudi Industrial Services Company (SISCO), a publicly listed company.

He is the Chairman of the Board of AECOM Arabia Co. Ltd. and Vice-Chairman of the Board of Trican-SSOC Well Service Ltd.

He also serves on the Board of Directors for Friends of Jeddah Parks, a non-profit organization. Aamer graduated from Pitzer College in California with a B.A. in Economics and Political Science. He has also taken part in various management executive programs at the University of California, Stanford University, and most recently attended the Advanced Management Program at Harvard University.

**5****Mr. Zaid AL Gwaiz,**
Director-Independent

Mr. Zaid AL Gwaiz, is an Independent Board Member and the Chairman of the Investment Committee at Bupa Arabia since June 2014.

He attained his Accounting degree from the King Saud University in 1987.

He worked as Senior Accountant in the Planning and Finance Department at the King Faisal Hospital - Riyadh until 1990.

He joined the Saudi British Bank in 1990 and held various positions and responsibilities including; Senior Relationship Manager / Team Leader, Senior Manager Credit & Risk and was General Manager Corporate Banking until 2003 when he moved to HSBC Saudi Arabia Limited as Deputy Managing Director until 2007.

A Licensed Financial Consultant and an Independent Board Member at several Companies, including Middle East Specialized Cables, Saudi Hollandi Capital and AL Yusr Finance company, Mr. Zaid AL Gwaiz acts as the Chairman of the Audit and Risk committees in these companies.

**6****Mr. Ignacio Peralta Gracia**
Director

Mr. Ignacio (Iñaki) Peralta Gracia was born and educated in Spain and is a graduate in Business Studies and Economics (Universidad de Navarra), has an MBA from IEDE, a Masters in Management of Healthcare Centres as well as the Wharton Advanced Management Program

Iñaki was appointed as the Sanitas Health Funding BU General Manager in December 2013, having held a variety of different roles since joining Sanitas Care Homes during 1995, including Director of Expansion and business Development, Operations Director. And Regional Director for Cataluña, Aragón, La Rioja and Soria (Sanitas PMI).

Iñaki sits on a number of the Sanitas Boards and has significant experience with hospital facilities having been instrumental in expanding the Sanitas hospital operation. In Sanitas Hospitals, there are over 6,350 employees and it operates 6 hospitals, 47 clinics and 20 wellbeing centres throughout Spain.

COMPETITIVE ADVANTAGES

We continue to focus on delivering sustainable value for our customers and for Saudi society through what we do and how we do it and, in order to maintain our differentiation and success, we continuously strive to enhance the following capabilities:

The Experience and Expertise of our People

Bupa Arabia is proud of its specialization in the health sector; our purpose remains “to help people live longer, healthier and happier lives”. This focus has enabled us to develop unequalled capabilities; collectively, our Executive team has over 50 years’ experience in health insurance and provision. Furthermore, we believe that we can only deliver our goals with engaged, positive employees who are treated fairly and with respect. Our staff retention levels, the number of long-term employees and the very positive results of our staff surveys continue to tell us that we are succeeding on this front: we have the skills, appetite and ambition to continue to lead this sector.

International Healthcare Expertise and Experience

Our members benefit from the assurance of being part of the Bupa Group, an expanding worldwide organization entirely focused on health and care. Bupa’s expertise includes healthcare funding (through insurance, subscriptions and other funding solutions, Bupa funds healthcare for 29m customers across the globe) and healthcare provision (Bupa is a leader in provision, providing care in clinics, dental centres, hospitals and care homes around the globe, including in the UK, Spain, Australia, Poland, Chile and Hong Kong). Bupa Arabia benefits from its ability to draw upon this world of expertise from which we can “steal with pride” new services products, systems and capabilities to add further value to our clients.

Specialization in Private Medical Insurance

As the first specialized medical insurer in the Kingdom and with over 15 years of Saudi market experience, Bupa Arabia is uniquely placed to provide clients with a growing range of specialized health care services. The Healthcare Operations unit engaged a significant number of Bupa Arabia members through

the expansion and addition of health services that cater to the specific medical needs of a diverse range of customer segments, such as Chronic Disease Management, Maternity Care & Baby Vaccination, Home Based Laboratories and International Second Medical Opinions. Also, Bupa Arabia launched the Wellness Program, conducting seminars and education sessions on various health topics, including stress management, weight management and CPR.

Fully Integrated Information Technology System

We strive to continuously advance and modernize our Information Technology foundation in order to enable the achievement of the company’s strategic and financial goals. In 2014, Bupa Arabia took the decision to introduce Microsoft CRM to further improve the functionality of our commercial and operational functions. The benefits of the new CRM platform will be felt by customers, staff and management.

Customer Service Culture

Committed to delivering great customer service, Bupa Arabia continues to invest in service delivery by enhancing our capabilities, systems and service proposition, aligned with a high performance culture and service excellence mindset (a continuation of the “Up Your Service Passion” program launched in 2011).

Stakeholder Management

We aim to provide a premier service by providing stakeholders with clear information, in alignment with the application of regulations and instructions issued by our regulators: SAMA, the CMA, CCHI, the MOH and the Chamber of Commerce.

Corporate Social Responsibility – CSR

Bupa Arabia strives to raise awareness of the benefits of a healthy lifestyle and encourage its adoption. The Company’s flagship CSR initiative, providing all orphans in the Kingdom with free health insurance cover, continued to build momentum.

BUPA GREW - OVER 65 YEARS OF HEALTHCARE AND WELLNESS

The Bupa Group was established in 1947 in the United Kingdom with one core purpose “to prevent, relieve and cure sickness and ill health of every kind.” More than 65 years hence, with around 29 million customers in over 190 countries, Bupa remains true to this core principle across all its businesses and geographies, from Europe, Asia, the Americas, Africa and Middle East.

From private medical insurance, Bupa has grown to become an integrated health services provider with the single-minded aim of providing customers with high quality health and care products and services. Focused solely on its customers, Bupa Group is a private company with no shareholders. As such, all profits are reinvested in the company to provide more and better health and care to its customers around the world.

With around 79,000 employees worldwide, Bupa lives up its purpose of ‘longer, healthier, happier lives.’ And it does so in a manner that treats and cares for its customers as individuals.

BUPA GROUP STATISTICS

- Provide health insurance to customers in over 190 countries covering around 29 million people internationally.
- More than GBP 9.8 billion turnover in 2014.
- Works with more than 11,500 hospitals and clinics worldwide.
- Operates hospitals and primary care centres in UK and Spain.
- Operates more than 443 care homes and retirement villages in the UK, Spain, Australia and New Zealand



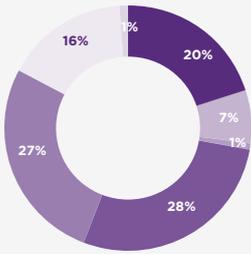
We serve

29

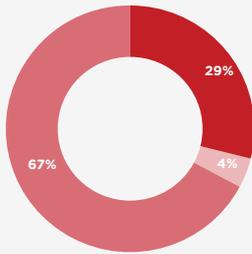
million customers

BUPA AROUND THE WORLD

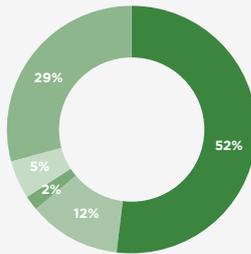
International Development Markets
Revenue 2014: £ 506.7 m



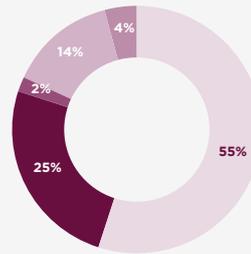
Bupa Global
Revenue 2014: £ 953.0 m



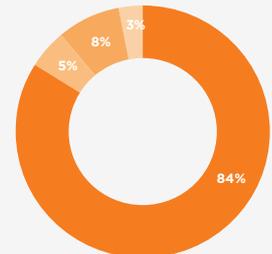
Spain and Latin America
Revenue 2014: £ 506.7 m



United Kingdom
Revenue 2014: £ 2,711.2 m



Australia and New Zealand
Revenue 2014: £ 3,759.6 m



- Bupa Hong Kong
- Bupa Thailand
- Max Bupa
- Bupa Arabia
- LUX MED
- Quality Healthcare
- Health Dialogue

- Bupa Global Latin America
- Bupa Global North America
- Bupa Global Business Unit

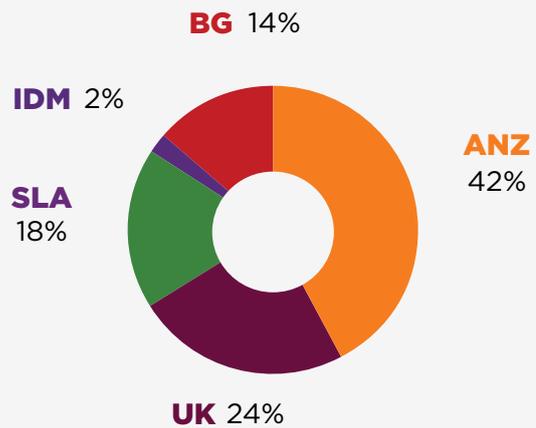
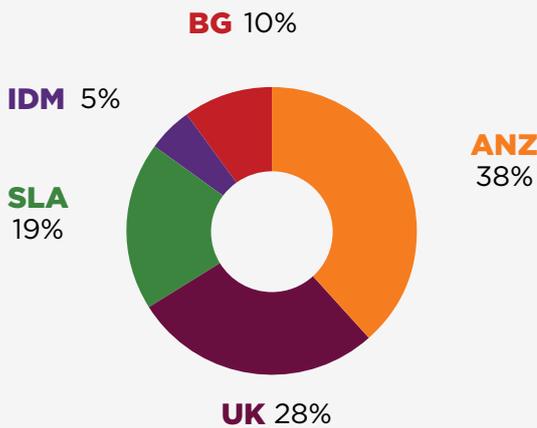
- Sanitas Seguros
- Sanitas Hospitales & New Services
- Sanitas Dental
- Sanitas Residencial
- Bupa Chile

- Bupa Health Funding
- Bupa Care Services
- Bupa Health Clinics
- Bupa Home Healthcare
- Bupa Cromwell Hospital

- Bupa Health Insurance
- Bupa Health Services
- Bupa Aged Care Australia
- Bupa Care Services

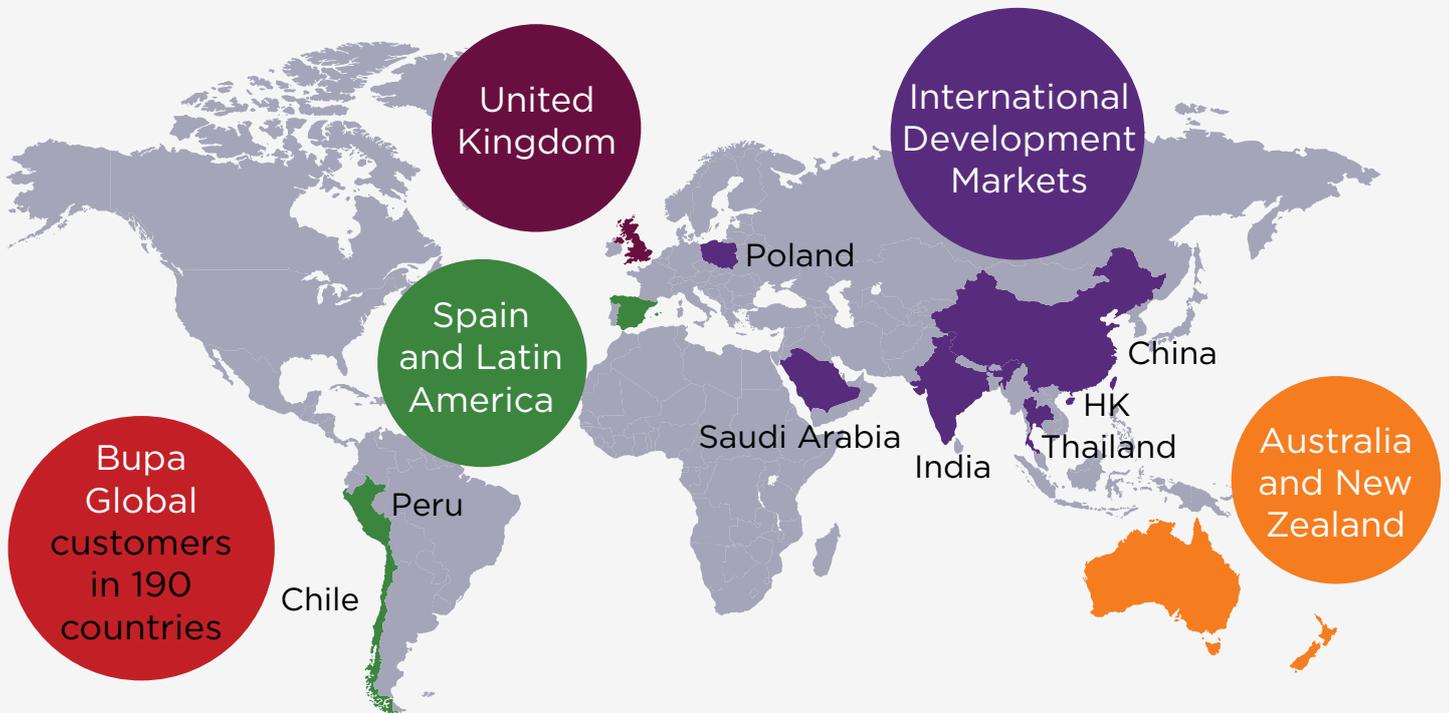
Revenue £ 9.8bn

Underlying profit £ 637.8m



ANZ Australia and New Zealand **UK** United Kingdom **BG** Bupa Global
SLA Spain and Latin America Domestic **IDM** International Development Markets

The world of Bupa



79,000

The Bupa Group employs 79,000 people globally

£595m

**longer
healthier
happier
lives**

In 2014 The Bupa Group reinvested £595m in our business to fulfil our purpose: longer, healthier, happier lives – for millions of people worldwide.

HCO SERVICES



Doctor on Phone

Helpline for exclusive use of Bupa Arabia members who require medical advice by telephone.



Doctor on Chat

Expert medical advices available to Bupa Arabia members to the public through our website.



Maternity care

Expert advices before and after giving birth from Bupa Arabia doctors.



Chronic Medication Refill

Bupa Arabia members can get their chronic medications from a largest chain of pharmacies in the KSA.



Chronic Disease Management

Bupa Arabia doctors help and guide chronic situations towards better health through expert advices on lifestyle.



Baby vaccination

Bupa Arabia doctors remind you of the vaccination timings and manage the expectation on how to deal with common problems that you may happen.



Home Based Laboratories

Bupa Arabia lab technicians will arrange your routine blood testing for your chronic condition and the results will be sent in 24 hours.



Home Treatment

Through our Extended Medical Care (EMCC), we provide special home care to our hospitalized members in need of receiving specific services.

RECOGNIZING OUR CARE

SHOWCASING OUR AWARDS

2014



Best CSR Impact initiative
Best CSR Integrated Organization

2014



Most Innovative Healthcare Partnership

2013



Best CSR initiative

2013



INSIGHTS Middle East Call Centre Awards

- Call Center of the year

INSIGHTS Middle East Call Centre Awards

- Best Recruitment Program
- Flags Pioneer Contact Centre

2013



8th Best Saudi Company within the Large Companies Category)

2013



Best Saudi Company to work 'For Women'

2012



Best Large Call Centre, INSIGHTS Middle East Call Centre Awards

2011



Best Saudi Company to Work For, Best Workplace for Women Award

2011

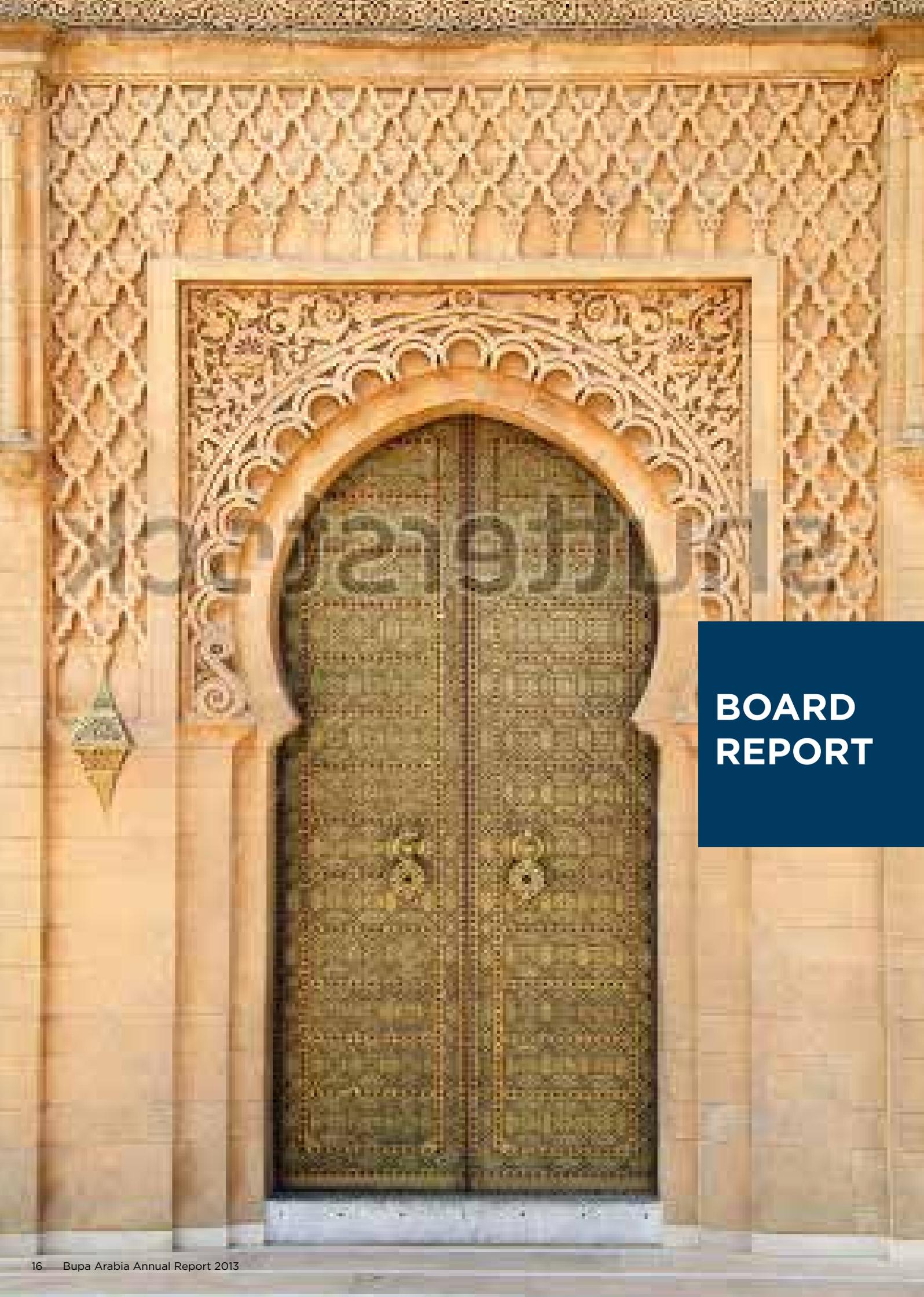


Best Saudi Company to Work For, Third-Insurance and Finance Services Sector Award

2010



Preferred CEO of the Year Award, Naseba & Kingdom HR Gathering



BOARD REPORT

Bupa Arabia for Cooperative Insurance Company

Board of Directors Report

for the period ended 31/12/2014:

The Board of Directors of Bupa Arabia for Cooperative Insurance Company is pleased to present the annual report covering the Company's financial results and achievements, followed by the audited financial statements and notes for the twelve month period ended 31 December 2014. This Board report includes the most important developments, financial results, operational activities and disclosures in compliance with the rules and regulations of the Kingdom of Saudi Arabia.

1. Main activities:

Bupa Arabia for Cooperative Insurance Company (the Company, or Bupa Arabia) is a publicly listed Saudi joint stock company (listed on 11/05/1429 H, 17/05/2008 G) registered in Saudi Arabia under Commercial Registration number 4030178881 (issued on 05/05/1429 H, 10/05/2008 G).

The company specializes in cooperative health insurance activities and operates in accordance with the relevant rules of all the relevant regulatory bodies in the Kingdom of Saudi Arabia.

According to the Company's charter and articles of association, the first fiscal year of the Company commences from the date of issuance of the ministerial declaration to establish the Company (issued on 24/04/1429 H, 01/05/2008 G) and ends on 31 December of the following year.

The current year financial statements, for the twelve month period ended 09/03/1436 H, 31/12/2014 G, represent the sixth statutory financial statements of the Company.

2. Asset purchase agreement and transfer of insurance portfolio:

The Company completed its IPO process on 07/03/1429 H, 15/03/2008 G and a request was submitted to His Excellency the Minister of Trade and Industry to announce the Company. This request was approved by the ministry on 24/04/1429 H, 01/05/2008 G. The licence to establish the Company was approved by Royal Decree No. M/74 dated 29/08/1428 H, 11/09/2007 G, and by the declaration from the Council of Ministers No. 279 dated 28/08/1428 H, 10/09/2007 G.

The Saudi Arabian Monetary Agency (SAMA) permitted Bupa Arabia to conduct the business of cooperative health insurance in Saudi Arabia on the basis of Articles II and III of the law of Supervision of Cooperative Insurance Companies issued by Royal Decree No. M/32 on 02/06/1424 H, 01/08/2003 G, and Article IV of the law's executive summary issued by the decree of the Minister of Finance No. 1/596 dated 01/03/1425 H, 21/04/2004 G, and the pronouncement of the Governor of SAMA No. 111/429 dated 08/08/1429 H, 10/08/2008 G.

An Ordinary General Assembly meeting took place on 30/12/1429 H, 28/12/2008 G, in which meeting it was approved unanimously to purchase the insurance portfolio of Bupa Middle East Limited E.C. in accordance with the assessment by SAMA and the prescribed SAMA guidelines. The Shareholders authorised the Board of Directors to complete the acquisition and agree on the terms and conditions of the purchase.

The Shareholders approved unanimously, during an Ordinary General Assembly meeting on 19/09/1430H, 09/09/2009G, that the Company enter into a licensing agreement for the use of Bupa's trademark (the word Bupa, with or without logo).

Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no IS928 dated 07/07/1430H, 30/06/2009G and the insurance portfolio transfer agreement and formalities were completed during 2009. The insurance portfolio purchase/sale agreement provided for the payment of fees relating to the outstanding Goodwill consideration amounts and SR 3,355k, in accordance with this, were included in the 2011 results. The SR 3,355k fees were settled to the seller in 2013 after SAMA's approval was received via SAMA letter number 341000017461.

3. Approval of the Company's renewal license from the Saudi Arabian Monetary Agency (SAMA):

During 2014, on 28/07/1435H, 27/05/2014G, the company successfully renewed its SAMA license qualification for a further three year period to 07/08/1438H, 03/05/2017G, and announced this on Tadawul on 29/07/1435H, 28/05/2014G.

4. Approval of the Company's renewal license from the Council of Cooperative Health Insurance (CCHI):

During 2014, on 23/05/1435 H, 24/03/2014 G, the company successfully renewed its three year CCHI license qualification for the further three year period to 19/05/1438H, 16/02/2017G and during 2014, on 23/05/1435H, 24/03/2014G, the company successfully renewed its one-year CCHI license qualification for the further one year period from 19/05/1435 H, 20/03/2014 G (the two renewals, one for three years and one for one year, being separate requirements of the CCHI). Bupa Arabia announced this on Tadawul on 24/05/1435H, 25/03/2014G.

5. Bupa Arabia significant plans, decisions and developments during the year:

Certain of Bupa Arabia's significant plans, decisions and developments, during 2014, are detailed within this section whilst others are described within the other relevant sections of this Board report. Key Board and Committee approval decisions, during the year, are reflected in sections 13 and 14.

• 5.1 Strategy review:

Bupa Arabia's strategic vision, is clear:

"Bupa Arabia is the greatest healthcare company in the Arab world. It is designed to deliver on its purpose. When it touches you, whether you are an employee, a customer or a community member, you live a longer, healthier, happier life. We have written history."

At the heart of this vision is for Bupa Arabia to maintain its status as a healthcare partner to millions of people in Saudi Arabia and to deliver this, Bupa Arabia's strategy is to focus on three health "pillars". Specifically, we aim to provide:

- Health insurance that leads the market in unlocking access to high-quality healthcare,
- Provision (e.g., clinics and hospitals) sufficient to shift the industry to a patient-centric, outcomes-focussed paradigm, subject to the regulatory environment,
- Partnerships with government and other stakeholders in Saudi society to tackle the most pressing healthcare needs.

Outstanding delivery on these pillars will enable Bupa Arabia to achieve extraordinary business performance.

Bupa Arabia believes that it cannot deliver this without a healthy and more engaged workforce; it must have employees that love working at Bupa Arabia because of its amazing culture. At Bupa Arabia, amazing culture is defined along five dimensions:

- We are leaders in all we do
- We have an innovative and caring culture
- We are loved by customers
- We have amazing talent
- We consistently act according to our values

We made excellent progress in delivering our strategy in 2014 and aim to continue on this impressive trajectory in 2015. Our top strategic priorities (to ultimately drive extraordinary business performance) are:

- To continue to build our differentiation as the best provider of health insurance in Saudi Arabia by providing personalized healthcare services to customers, thus improving health outcomes, loyalty and retention.
- To protect our leadership position in Saudi health insurance by developing innovative service propositions to maintain strong bonds with our growing customer base, thus improving retention across all channels.
- To develop the underserved "Family" segment of the market. Many Saudis not medically covered by their employers will benefit from access to private sector provision and we are developing the right talent, processes and products to serve these customers.
- To increase our visibility and success in the Central Region, by increasing our presence with our new Riyadh regional headquarter and equipping it with the right resources and tools (e.g., our Flagship City Store) to grow in this highly competitive region.
- To dramatically improve our IT capabilities by providing new technologies to support / drive significant business growth.
- Critically, to continuously invest in our people, by hiring, training and retaining the resources required to deliver quality services and to ensure our people love working at Bupa Arabia because of our amazing culture.

• 5.2 Corporate social responsibility (CSR):

Helping our communities through our Corporate Social Responsibility (CSR) programs is an integral part of our culture and represents an important way that we help people "live longer, healthier and happier lives". In 2014, Bupa Arabia continued to provide free health insurance to all the orphans in Saudi who are under the supervision of the Ministry of Social Affairs; this included 3,000 orphans in 46 orphanages across 16 cities. Bupa Arabia completely revamped the CSR program's operations to be more tailored to the orphans' needs, which has increased the quality of the services provided.

Building from this program, an in-house training course was built and a trial test commenced in Q4 2014 to train a group of orphans who had dropped out of school. Our aim is to give these orphans better life opportunities and some of them were hired by Bupa Arabia after the training. This is an accomplishment of which we are very proud.

Through our CSR program, we also participated in many additional activities and events in 2014, such as the King Khalid Foundation Awards, Saudi Arabia's CSR Summit and the International Finance Magazine Awards. Bupa Arabia won the following:

- The Best CSR initiative in Saudi Arabia (International Finance Magazine 2014).
- The Best CSR Impact Initiative award – Saudi Arabia CSR summit 2014.
- The Best CSR Integrated Organization award - Saudi Arabia CSR summit 2014.
- Top Rating in building a competitive "responsible employment standard" – King Khalid Foundation awards.

• 5.3 Corporate governance:

Maintaining rigorous corporate governance is of the highest priority at Bupa Arabia and we invest significantly in it. During 2014, the Company approved a number of additional resources to support this effort, including within the Internal Audit Services (Audit Committee approved) department and a Head of Legal. Bupa Arabia continues to invest time and energy behind its corporate governance, including the development of the "Three Lines of Defence" (3LoD) model, Risk Owner Workshops and Internal Control and Risk Management assessments. During 2015 Bupa Arabia will also further enhance its 3LoD model through improved Governance and Risk Management structures, additional dedicated resources and the enhancement of governance policies and procedures, including a review of the Bupa Arabia Risk Appetite statements and Key Risk Indicators.

Bupa Arabia also continued to progress compliance to our information governance framework to ensure the protection of corporate records and customer / employee data in a confidential and secure manner. In 2015, Bupa Arabia will also enhance Governance Committees and structures to ensure we are able to transition smoothly to the expected new SAMA Corporate Governance and Audit Committee regulations. This will include updating the Terms of References of each of the Board Committees which will be approved by the shareholders in a future Ordinary General Assembly meeting.

• 5.4 Business continuity (BCP) and Disaster recovery (DR):

The Company continued its effort behind Business Continuity and Disaster Recovery Plans through the enhancement of system redundancy, through new Riyadh office premises, and by maintaining BCP, DR and Crisis Management policies and procedures. To consolidate all these developments and to ensure continued preparedness in the future, Bupa Arabia aims to appoint a Manager of Business Continuity and Disaster Recovery during 2015.

• 5.5 Shariah compliance:

During 2014, Bupa Arabia continued to move toward Shariah compliance and (on 14/10/2014G, 20/12/1435H) received the approval of the Shariah Review Bureau (SRB) for the continuation of its Shariah status in line with the approval received during 2013 (reference Bup-02-02-03-14). All Shariah certificates remain valid, as was announced on Tadawul on 14/10/2014G, 20/12/1435H, in line with the 2013 announcement of 25/11/2013G, 22/01/1435H, on the following functions:

- Certificate No: BPA-196-08-08-11-13: for the full separation of all investment and other bank accounts (shareholder and policyholder) concluded during 2013,
- Certificate No: BPA-195-07-07-11-13: for the compliance of all shareholder and policyholder investments with Shariah Guidelines,
- Certificate No: BPA-199-09-09-11-13: for the Declaration and Product Provision, conditional pending SAMA approval, and submitted for final approval to SAMA.

The Company continues to develop its policies and evaluate its contracts in support of achieving overall Shariah compliance in the future.

• 5.6 Development of Saudis and increased Saudisation:

A priority action for Bupa Arabia in 2014 was to enhance its career development of Saudi nationals and to increase its Saudisation level. The company was successful, improving from 56% at the end of 2013 to 62% (platinum) at the end of 2014 (refer section 12.3 for further details on the development of Bupa Arabia employees).

• 5.7 Chief Executive Team (CET):

During 2014, the Bupa Arabia CET expanded with the addition of Arif Hunashi as Chief Operations Officer, to replace Haj Hichou who will, during 2015, be moving into a different role. The remaining members of the CET are: Chief Executive Officer, Tal Nazer (Saudi); Chief Financial Officer, Fraser Gregory; Chief Commercial Officer, Ali Sheneamer (Saudi) and the Chief Human Resources Officer, Thamer Al-Harhi, (Saudi).

• 5.8 Tadawul announcements not referenced in the other sections of this Board report:

During 2014, Bupa Arabia renewed its contract with the Ministry of Foreign Affairs (MOFA) and informed the market through its announcement, on Tadawul on 17/07/2014G, 20/09/1435H, as follows: "Bupa Arabia for Cooperative Insurance announces receiving a confirmation letter from the Ministry of Foreign Affairs on 20 Ramadan 1435H, corresponding to 17 July 2014, to provide health insurance for its employees and their families abroad for one year starting 20/7/2014. The company expects the contract revenues to be greater than 5% of its 2013 annual gross written premium and it is expected to have an impact on its 2014 financial results."

On 12/05/2014G, 13/07/1435H, Bupa Arabia received confirmation it had secured the SABIC account and informed the market through its announcement on Tadawul on 12/05/2014G, 13/07/1435H, as follows: "Bupa Arabia for Cooperative Insurance announces it has been awarded, on 12 May 2014, corresponding to 13 Rajab 1435, as the health insurance provider for the Saudi Basic Industries Corporation (SABIC) to provide health insurance for its employees and their families for one year starting 5/7/2014. The contract revenues are expected to be greater than 5% of the 2013 annual gross written premium of Bupa Arabia for Cooperative Insurance and it is expected to have an impact on its 2014 financial results."

6. Bupa Arabia future prospects, risks and developments:

• 6.1 Competition and market dynamics:

Saudi Arabia's economy, as measured by gross domestic product, continued to grow in 2014, albeit at a lower rate (3.6%) than in recent history. An increase in oil production, by 0.8 percent year-on-year, meant that overall oil sector growth remained positive at 1.7 percent, while the non-oil sector maintained growth of over 5 percent for the eleventh consecutive year. Looking forward, we expect the Saudi Arabian non-oil sector to maintain robust growth in 2015, despite a projected slowdown in the Kingdom's overall GDP growth, driven by a contraction in the oil sector. Saudi non-oil private sector GDP growth in 2015 is forecast at 5.3 percent, compared to an average of 7.2 percent for the last five years.

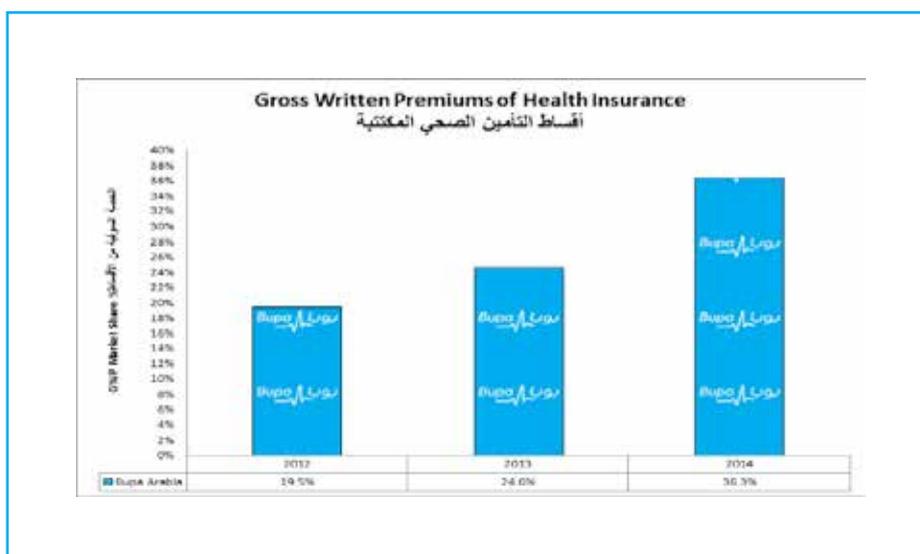
For 2015, Health and Social Affairs was awarded a 48 percent rise in its annual budget, to SR160 billion, accounting for 19 percent of total spending, up from 13 percent of last year's total. Across the country, 27 new hospitals and health facilities will be built in addition to continuing construction at 117 hospitals and eight medical cities. Upon completion of all facilities currently under construction, total capacity in the country will increase by more than 24,000 beds.

Thanks to government intervention preventing the pricing of health insurance below risk cost, the extreme price pressure in the private medical insurance market abated from the first quarter of 2014 and price increases more consistent with historical norms have returned to the health insurance industry. While we are hopeful this will continue, it is a variable that Bupa Arabia continues to monitor closely.

Economic growth, along with population growth and continued increases in the prevalence of lifestyle/chronic diseases will result in a positive backdrop for the health insurance market. As a result, healthcare provision in the private sector will continue to run at high utilization rates for the foreseeable future, despite the increase in provision capacity announced by the government. There is a risk that this will result in a lack of innovation in consumer experience and further increases in the price of healthcare from providers. Specifically, high provision utilization rates means that price management at high-end tertiary care hospitals remains a key challenge, as does abuse and fraud at lower end primary care centres. On the positive side, capacity issues in the public sector will increasingly lead Saudi citizens to buy private health insurance in order to more quickly access high-quality health provision in the private sector.

During 2014, the Bupa Arabia provision network was enhanced by the addition of 107 new providers within Saudi Arabia and 84 new providers in our International provider network to support significant growth in our Corporate and Retail sectors. There was also the closure/network removal of 118 providers, for a variety of reasons ranging from license concerns to fraud.

On the competitive side some insurance operators, during 2014, partially recovered some of their 2013 losses with improved underwriting results on all lines of businesses. That said, Bupa Arabia has claimed market leadership in health insurance for the first time with significant, double-digit, gaps versus its major competitors, during 2014 the Bupa Arabia health insurance market share grew from 25% to 36%, based on published segmented results, refer chart below:



• 6.2 Financial strength:

The Company's objective is to provide the highest appropriate quality and cost effective care for its members. In so doing, it also seeks to make a sustainable return such that it may invest in the future while retaining a solvent position to ensure that member liabilities are never at risk of default.

In 2014, Bupa Arabia continued to strongly underpin this objective. The Company maintained its loss ratio, for the fourth successive year, whilst giving full and fair coverage where due to its members. During 2014, Bupa Arabia paid its second dividend, SR20m in the second quarter. The Company also reported a significant growth in post-tax/post-zakat profits, up to SR300m in 2014, an increase of SR167m and more than double the SR133m post-tax/post-zakat profits of 2013. This enabled Bupa Arabia to maintain its position as the most profitable player in the health insurance sector. This was driven by an 81% growth in written premium, a SR436m increase in Net underwriting result, representing an increase of 85%, and a 138% increase in underlying profits.

Cash/Investments grew a further SR1.7 billion, an increase of 121% versus the prior year, representing growth of almost SR2 billion over the past two years. At the end of 2014, Bupa Arabia had surplus cash and investments of SR0.6b versus its technical reserves (SR3.8b versus SR3.2b, +18%). However, due to significant growth in written premiums and associated technical reserves growth (impacted by the interpretation of article 69), the company closed 2014 with a slight technical solvency gap. As a result of this solvency pressure, Bupa Arabia maintained its growth in cash/investments mainly in admissible assets, which suppressed the investment income.

• 6.3 Risks:

The key risks that the company's management are actively managing, or planning to mitigate the impact of, are:

- Irrational competitor pricing below claims costs (somewhat lower now due to Regulatory intervention)
- Overtreatment and fraudulent claims by some providers
- Continuously escalating prices by providers underpinned by market imbalance of supply and demand
- Solvency risk management
- Availability of qualified professionals in a tight labour market
- Zakat risk associated with long term investment portfolios
- Crisis management and disaster recovery capabilities

7. Financial statements presentation:

In compliance with the Capital Market Authority's (CMA) regulation dated 25/08/1429 H, 27/08/2008 G, permitting the issuance of financial statements according to International Financial Reporting Standards (IFRS), the statements presented have been prepared in accordance with International Accounting Standards (IAS) and not in accordance with the accounting standards of the Saudi Organisation for Certified Public Accountants (SOCPA). The Company confirms that these financial statements have not been materially affected by this practice.

For comparative purposes, the results contained within this Board Report use the twelve month period ended 09/03/1436H, 31/12/2014G as a comparative versus the results for the twelve month period ended 28/02/1435H, 31/12/2013G.

8. Unqualified opinion of the independent external auditors:

The joint independent external auditors' report contains an unqualified opinion that the financial statements, taken as a whole, present fairly in all material aspects the financial position of the company and that the financial statements comply with the requirements of the Regulations for Companies and the Company's by-laws.

9. Bupa Arabia business results:

• 9.1 Summary profit results:

	2010 SR000s 12 months	2011 SR000s 12 months	2012 SR000s 12 months	2013 SR000s 12 months	2014 SR000s 12 months
Gross written premiums (GWP)	1,749,390	1,993,251	2,194,301	3,177,480	5,740,449
Net earned premiums	1,608,908	1,927,629	2,128,028	2,604,458	4,595,075
Total revenue (Insurance Op.)	1,613,109	1,930,583	2,141,092	2,620,260	4,626,554
Gross claims paid	1,232,218	1,523,835	1,671,622	2,074,049	3,289,128
Net claims incurred	1,308,103	1,551,030	1,701,051	2,094,354	3,649,005
Total expenses (Insurance Op.)	223,888	324,649	296,227	380,720	650,280
Surplus from insurance operations	81,118	54,904	143,814	145,186	327,269
Shareholders' net income	70,798	42,244	134,406	147,334	301,275

The net earned premiums revenue increased by 76%, the net underwriting result grew by 85%, net income more than doubled, up 104%, and the "Underlying" result for 2014 also more than doubled, up 138% (refer section 10.1).

• 9.2 Summary balance sheets:

SHAREHOLDERS' ASSETS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Cash and cash equivalents	13,631	13,631	13,631	101,260	462,569
Murabaha deposits	-	-	-	126,993	44,730
FVIS investments	299,462	373,534	497,158	446,338	454,578
Other receivables	-	244	735	1,319	1,746
Amount due from insurance operations	48,761	-	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	38,703	41,565	48,918	43,059	60,667
Statutory deposit	40,000	40,000	40,000	40,000	40,000
Total shareholders' assets	538,557	566,974	698,442	856,969	1,162,290
TOTAL ASSETS	1,668,834	1,755,583	2,004,716	2,772,957	4,728,834
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TOTAL ASSETS	1,668,834	1,755,583	2,004,716	2,772,957	4,728,834
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Unearned premiums	659,819	722,739	786,669	1,323,069	2,383,358
Outstanding claims	352,379	381,265	413,509	450,096	812,530
Reinsurance balance payable	1,269	702	443	505	3,253
	1,013,467	1,104,706	1,200,621	1,773,670	3,199,141
Accrued expenses and other liabilities	50,508	59,503	63,619	79,113	263,468
Obligation under Long-Term Incentive Plan (LTIP)	3,477	4,846	8,099	14,751	22,754
	1,067,452	1,169,055	1,272,339	1,867,534	3,485,363
Amount due to shareholders' operations	48,761	-	-	-	-
Policyholders' share of surplus from Insurance Op.	14,064	19,554	33,935	48,454	81,181
Total insurance operations' liabilities and surplus	1,130,277	1,188,609	1,306,274	1,915,988	3,566,544
SHAREHOLDERS' LIABILITIES AND EQUITY	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s
Accrued expenses and other liabilities	13,855	21,352	26,532	31,419	42,398
Accrued Zakat and income tax	7,905	15,437	30,306	35,000	23,903
Amount due to a related party in respect of goodwill	20,990	3,355	3,355	-	-
Amount due to related parties	2,818	4,400	4,041	59,490	44,490
Total shareholders' liabilities	45,568	44,544	64,234	125,909	110,791
Share capital	400,000	400,000	400,000	400,000	400,000
Shares held under Employees' Share Scheme	(2,709)	(2,910)	(4,988)	(7,052)	-
Statutory reserve	23,694	32,143	59,024	88,491	148,746
Retained earnings	72,004	93,197	180,172	249,621	502,753
Total shareholders' equity	492,989	522,430	634,208	731,060	1,051,499
Total shareholders' liabilities and equity	538,557	566,974	698,442	856,969	1,162,290
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	1,668,834	1,755,583	2,004,716	2,772,957	4,728,834

Investments and cash grew significantly during 2014, increasing by SR1,684m to SR3,773m, an increase of 81% from the 2013 close of SR2,089m. This follows the 2013 increase of SR514m, an increase of 33% from the closing SR1,575m, at the end of 2012. Investments and cash have therefore more than doubled over the past two years, growing SR2.2b (from SR1.6b to SR3.8b).

10. Bupa Arabia financial highlights:

• 10.1 Summary key performance indicators:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Gross written premiums (GWP)	3,177,480	5,740,449	2,565,969	81%
Net earned premiums	2,604,458	4,595,075	1,990,617	76%
Total expenses	384,094	654,351	270,257	70%
Total operating expense ratio	14.7%	14.2%	(0.5%)	(3%)
Surplus of insurance operations	145,186	327,269	182,083	125%
Policyholders' share of insurance operations' surplus	14,519	32,727	18,208	125%
Net shareholders' income	147,334	301,275	153,941	104%
Weighted average no of ordinary shares (thousands)	39,741	39,796	55	0%
Basic earnings per share (Saudi Riyals)	3.71	7.57	3.86	104%

In 2014, the Company achieved significant growth with gross written premium increasing by 81%. The increase in earned premiums, combined with an improved (reduced) loss ratio (79.4% in 2014 versus 80.4% in 2013) resulted in an increase in the net underwriting result of SR436m, or 85%. Part of the GWP growth was due to the commencement, during the third quarter, of the new SABIC account (refer section 5.8).

The overheads of the business increased due to top-line growth, an increase in the required allowance for the bad debts provision, as well as higher levies and commissions directly associated with the increased premiums. Regulatory levies alone, 1.5% of the gross written premiums or SR86m for 2014, were SR38m higher (81%) than the prior year.

Excluding year on year bad debt provision movement and the additional levies, overheads increased versus the prior year due to the full year costs of the prior year infrastructure and resource capability build (Riyadh office rental, additional headcount to support growth) and the current year additional costs associated with the increased volume of customers and extra investment in capability (distribution, brand, infrastructure, operations and other key activities).

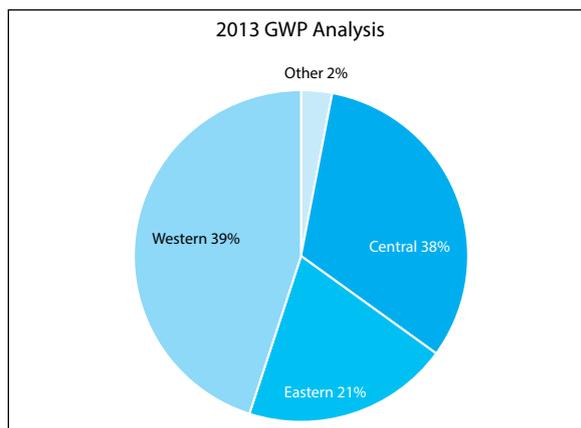
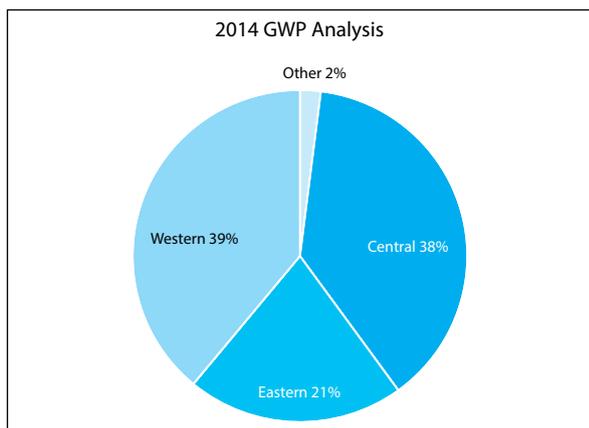
Description	2013 SRms (12 Months)	2014 SRms (12 Months)	2014 Change SRms	2014 Change %
Net income for the period (before Tax and Zakat)	147.3	301.3	154.0	104%
Adjust for BDP (Release)/Expense	8.0	25.3	17.3	216%
Less Investment/Other Income	(35.8)	(42.3)	(6.5)	18%
"Underlying" results	119.5	284.3	164.8	138%

The "Underlying" results improved, by SR165m during the year, more than double the previous year. We focus on "Underlying" as this represents our key competence of underwriting, pricing and claims management. The "Underlying" margin improved from 4.6% in 2013 to 6.2% in 2014.

• 10.2 Gross written premiums (GWP) and geographical analysis:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Central	1,198,417	2,778,577	1,580,160	132%
Eastern	678,425	990,345	311,920	46%
Western	1,228,360	1,844,414	616,054	50%
Other	72,278	127,113	54,835	76%
Total gross written premiums (GWP)	3,177,480	5,740,449	2,562,969	81%

The Company writes only health insurance in Saudi Arabia and its revenue is currently concentrated in the main Central, Western and Eastern regions (collectively comprising 97.8% of Bupa Arabia's annual GWP). Significant growth results were achieved in all main regions, but this was particularly strong in the Central region which increased by SR1.6b to SR2.8b. As a result, the Bupa Arabia geographical mix changed significantly, from a 2013 position of the Western region having the most significant mix share to a 2014 position of the Central region the highest mix. The 2014 geographical GWP mix changes were: an increase in the Central (+10.6%) reductions in the Western (-6.6%) and Eastern (-4.0%) regions and the "Other" unchanged versus the prior year at a stable 2% of the annual GWP.



• 10.3 Net claims incurred:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Net claims incurred	2,094,354	3,649,005	1,554,651	74%

The increase in net claims incurred was due to the significant business growth, medical inflation, provider price increases and the enhanced CCHI benefits, but was offset by an improved loss ratio due to strong management of medical claims and improved price increases. As a result the Company was able to improve its loss ratio to 79% for 2014, from the stable circa 80% loss ratio levels of 2013 and 2012.

• 10.4 Total operating expenses:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Insurance operations' operating expenses	380,720	650,280	269,560	71%
Shareholder operations' operating expenses (G&A)	3,374	4,071	697	21%
Total operating expenses	384,094	654,351	270,257	70%
Total operating expense ratio to earned	14.7%	14.2%	(0.5%)	(3%)

The total operating expense ratio improved versus the previous twelve month period and was mainly driven by the increase in GWP and (excluding levies, commissions and regulatory required allowances for doubtful debts) improved business efficiency. The increase in the Shareholder operations' operating expenses was mainly due to 2013 expenses being low due to Shareholder net operating expenses being net of a 2012 Board fees accrual reversed in the 2013 results. The increase in the Insurance Operations' expenses is further described in section 10.5.

• 10.5 Total insurance operations' operating expenses:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
CCHI and SAMA levies	47,662	86,107	38,445	81%
Bad debt provision (release)/expense	8,789	25,626	16,837	192%
Other sales and marketing expenses	153,394	249,004	95,610	62%
Total S&M expenses-Insurance operations	209,845	360,737	150,892	72%
Total G&A expenses-Insurance operations	170,875	289,543	118,668	69%
Total Insurance operations operating expenses	380,720	650,280	269,560	71%

• 10.5.1 Insurance operations' sales and marketing expenses (S&M):

- The 2014 CCHI and SAMA levies increased by SR38m versus the prior year due to the higher written premium of 2014 (refer 10.1).
- The increase in the year on year allowance for doubtful premiums receivable, of SR17m for the twelve month period ended 31/12/2014, was due mainly to the 2014 growth (Article 69 written aged basis of provisioning) and the timing of collections.
- The increase in the other Sales and Marketing expenses was due to increased commission costs, marketing spend and staff costs in support of the brand development and the enhancement of the Company's regional presence and infrastructure

• 10.5.2 Insurance operations' general and administrative expenses (G&A):

The Insurance operation's general and administration expense increase during the year related mainly to the full year staff and infrastructure costs resulting from the prior year capability build (including Riyadh office full year office rental), and the current year additional expenditure incurred due to enhancing the organisational capability in support of the Company's customer growth and strategic initiatives.

• 6 Surplus from insurance operations:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Surplus from insurance operations	145,186	327,269	182,083	125%

The increase in the surplus from insurance operations was mainly due to the higher underwriting result, due to the higher earned premium, combined with the improved loss ratio, but offset by an unfavourable year on year increase in levies and BDP, and higher growth related expenses, such as levies and commissions. An increase in underwriting contribution of SR436m was achieved, but this was partially offset by an increase in operating expenses as described in sections 10.4 and 10.5.

• 10.7 Investment income:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Insurance operations' investment income	15,485	18,844	3,359	22%
Shareholder operations' investment income / (loss)	19,989	10,804	(9,185)	46%
Total investment income	35,474	29,648	(5,826)	(16%)

Investment income during the year decreased versus the previous year as a result of the prior year containing a one-off IPO investment income gain of SR8m, within Shareholder operations' investment income, which did not repeat in 2014. The increase in the Insurance operations' investment income versus 2013 was due to an increased average cash balance, but offset by lower average rates. As with prior years, due to the challenging admissibility factors associated with higher yield investments and the need to maintain investments in high admissibility asset classes (predominantly cash) Bupa Arabia maintained a risk averse investment strategy during the year.

10.8 Other income

The Insurance operations' surplus includes SR12.6m of other income related to Bupa Arabia health consultancy support (2013 nil).

• 10.9 Net shareholders' income:

Description	2013 SR000s (12 Months)	2014 SR000s (12 Months)	2014 Change SR000s	2014 Change %
Net shareholders' income	147,334	301,275	153,941	104%

The increase in the net shareholders' income for the twelve month period was driven mainly by the increased surplus from insurance operations, due to the improvement in the net underwriting result, but offset by the increase in the allowance for doubtful premiums receivable and the increased costs associated with growth (levies and commission costs). The net shareholders' income was adversely impacted by the investment income SR9m lower than the previous year (refer 10.7).

• 10.10 Summary statement of financial position:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Insurance operations' assets	1,915,988	3,566,544	1,650,556	86%
Shareholder operations' assets	856,969	1,162,290	305,321	36%
Total assets	2,772,957	4,728,834	1,955,877	71%
Insurance operations' liabilities and surplus	1,915,988	3,566,544	1,650,556	86%
Shareholders' liability	125,909	110,791	(15,118)	(12%)
Shareholders' equity	731,060	1,051,499	320,439	44%
Total liabilities, surplus and shareholders' equity	2,772,957	4,728,834	1,955,877	71%

The increase in liabilities during the twelve month period was due mainly to an increase in the technical reserves associated with the growth in written premiums (technical reserves and the GWP both grew by +80% during the period).

During 2014, the Company generated SR1,718m, versus 2013 at SR532m, of net cash from its operating activities, representing a significant increase of SR1,186m, up 223%, being SR1,430m and SR288m from insurance operations and shareholder operations respectively, versus 2013 at SR274m and SR258m respectively.

• 10.11 Total assets:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Total assets	2,772,957	4,728,834	1,955,877	71%

The increase in total assets during the twelve month period was due mainly to the net increase of cash and cash equivalents/ investments (a combined net increase of SR1,711m, refer 10.12) and the increase in net premiums receivable of SR189m, refer 10.14.

• 10.12 Cash and cash equivalents:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Insurance operations' cash and cash equivalents	232,267	1,407,665	1,175,398	506%
Insurance operations' murabaha deposits	956,230	1,213,027	256,797	27%
Shareholder operations' cash and cash equivalents	101,260	462,569	361,309	357%
Shareholder operations' murabaha deposits	126,993	44,730	(82,263)	(65%)
Total cash and cash equivalents	1,416,750	3,127,991	1,711,241	121%

The increase in cash and cash equivalents was due mainly to significant gross written premium growth, combined with an excellent collections and debt management performance, which included full settlement of the SABIC contract inception premium.

• 10.13 Investments:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Insurance operations' investments	186,107	189,968	3,861	2%
Shareholder operations' investments	446,338	454,578	8,240	2%
Total investments	632,445	644,546	12,101	2%

The original SR550 million investment placement remains under the management of the same external third party as originally approved by the Board and Investment Committee during 2010. A 2014 total amount of SR277m, 2013 total amount of SR201m, was payable to the shareholders' operations by insurance operations and was settled by transfer of SR277m cash (SR201m 2013 settlement was settled via SR127m murabaha deposits and SR74m cash) to shareholders' operations as at 31/12/2014

• 10.14 Total premiums receivable, net:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Total premiums receivable, net	410,095	598,687	188,592	46%

The increase in total net premiums receivable was due to the significant growth during the year but, due to a strong collections performance, the growth in net premiums receivable was below the level of GWP growth (46% versus 81%).

• 10.15 Technical reserves:

Description	2013 SR000s at 31/12/13	2014 SR000s at 31/12/14	2014 Change SR000s	2014 Change %
Unearned premium reserves	1,323,069	2,383,358	1,060,289	80%
Claims reserves	450,096	812,530	362,434	81%
Technical reserves	1,773,165	3,195,888	1,422,723	80%

The growth in the technical reserves is mainly due to the growth in the written premium, of 81%, combined with a stable seasonality of written towards the second half of the year. As a result of the significant growth, the unearned premium reserves, at 31/12/2014, increased by SR1,060m to SR2,383m and represent 41.5% of the 2014 annual gross written premium (therefore stable versus the 41.6% as at 31/12/2013). The claims reserves increased by SR362m to SR813m and represent 22.3% of the annual net claims incurred during 2014 (versus 2013 at 21.5% and 2012 at 24.3%), therefore broadly in line with the prior year's ratios. The technical reserves, as at 31/12/2014, increased by 80%, therefore broadly in line with the GWP growth of 81%, and, as was the case in prior years, were correctly calculated and provided for in accordance with SAMA's implementing regulations, as well as having been verified as accurate by an independent external actuary.

11. Company's policy for the distribution of profits:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 9, article 44 of the Company's code of business conduct states the following with respect to the calculation and distribution of profits:

- The exclusion of Zakat and Income Tax.
- That 20% of net profits are allocated to form a statutory reserve. The general assembly has the authority to cease this transfer once the statutory reserve is equivalent to the paid up capital of the company.
- Based on the Board's recommendation, the general assembly can also hold a particular percentage of the annual net profit to form a reserve and it may allocate it to purposes of its choosing.
- The balance shall be distributed as a first payment in the amount not less than 5% of paid-up capital to the shareholders.
- The remaining balance shall be distributed to the shareholders as a share in the profits or to be transferred to the retained profits account.
- The Board may issue a decision to distribute periodical profits to be deducted from annual profits as specified in paragraph 4 above in accordance with the relevant regulating rules issued by the concerned authorities.

12. Key sales, operations and other functional activities:

• 12.1 Sales and marketing:

Bupa Arabia continued to strengthen its distribution capability in 2014 and also developed valued products and services that yield a positive healthcare outcome for its members. In the Corporate sector, we achieved an enhanced presence in all three regions; specifically the Central region where Bupa Arabia significantly grew market share (in terms of total Gross Written Premium). Bupa Arabia also expanded its international capability and secured significant new domestic accounts, such as SABIC and Abdullatif Jamil.

A significant marketing milestone for Bupa Arabia, during 2014, was the partnership with Al-Hilal Football Club (FC) in becoming their healthcare partner. This built on the successful partnership formed between Bupa Sanitas, in Spain, and Real Madrid FC. Under the agreement, which extends for a period of five sports seasons, Bupa Arabia will be the first in the region to provide unique, integrated health and fitness services to the club. These services, provided uniquely to Al-Hilal FC, will include private health insurance and the best medical care, supported by a long list of the latest and best medical centres and hospitals in the Kingdom of Saudi Arabia, the Gulf, and Spain. Bupa Arabia will conduct specialised tests in sports medicine, based on studies conducted by its Spanish counterpart, Sanitas, for new players when they sign with the club. The company will also monitor the progress of player injuries using the global expertise it has gained in this field, in conjunction with the best domestic and international healthcare centres. In addition, Bupa Arabia will provide a dedicated team to manage the health insurance of the players and their families so that medical services and procedures are carried out smoothly and comfortably. Furthermore, Bupa Arabia will provide consulting and technical support services for the development and improvement of the medical facilities of the club. This partnership, between Bupa Arabia and Al-Hilal FC, the best-known Saudi Arabia football club, will cement the company's leadership position as the regional counterpart of Bupa in Spain (Sanitas), with its special partnership with Real Madrid.

Bupa Arabia invested heavily in the transition to the new CCHI policy, implementing the changes in systems, training and communicating the same to current customers and business prospects in time for the transition deadline set by CCHI of July 1st, 2014. Bupa Arabia ran comprehensive marketing initiatives across all segments (Corporate, SME and Family) to generate business leads and prospects in Q4, 2014.

• 12.2 Operations management and customer service:

Bupa Arabia continues to invest in its service delivery by continuously enhancing its capabilities, systems and service proposition, aligned with a high performance culture and service excellence mindset (a continuation of the "Up Your Service Passion" program launched in 2011).

The Healthcare Operations (HCO) unit managed to engage significant numbers of existing Bupa Arabia members through the expansion and addition of new HCO services that cater to diverse segments and to more specific medical needs, such as:

- i. Chronic Disease Management Coaching
- ii. Maternity Care & Baby Vaccination
- iii. Expanding Home Lab service
- iv. International Second Medical Opinion

Another milestone for the Healthcare Operations unit was the launching of the wellness program initiative delivering on Bupa Arabia's promise of being a healthcare partner, conducting various seminars and education sessions on such topics as stress management, weight management, CPR etc.

• 12.3 Bupa Arabia's people:

Bupa Arabia believes in the value of a healthier and more engaged workforce. The Company believes that engaged, positive employees, who are treated fairly and with respect, will better serve its customers and drive business growth and success.

To ensure Bupa Arabia attracts, retains, motivates and develops its people effectively, Bupa Arabia implemented a number of initiatives during 2014, including new recruiting and training processes to ensure the build and development of a workforce that can support the significant growth. In 2014, the workforce increased by 30%, reaching approximately 1,300 employees. Bupa Arabia has also developed rigorous people processes, such as Talent Management reviews and follow-up actions, as a core part of the people agenda, to ensure its people are the best in the industry and so that succession and career plans are in place.

In 2014, Bupa Arabia conducted its third detailed survey of its people (the "Bupa Global People Survey (GPS)") to understand how its employees rate the Company in the critical areas of leadership and people management. An employee participation rate of 96% was achieved and the business showed further improvement in all its key indices.

Bupa Arabia continued to strive to attract, develop and retain Saudis, from its Executive Management to all levels within the organization and, during 2014 the company achieved increases in its overall Saudisation level, up to 62% (platinum) from 2013 at 56%. Also, the Saudi proportion of Bupa Arabia's Executive Management (comprising Chiefs and Directors) increased to 56% in 2014, from 2013 at 47%.

In addition Bupa Arabia won the following awards during 2014:

- Ranked 10th "Great Place to Work" in Saudi Arabia - large corporation category
- Best Saudi Company to Work For – female category
- Best CSR initiative in KSA (International Finance Magazine 2014)
- Best Innovative Healthcare Partnership in KSA for Al Hilal FC

• 12.4 Technology Services & Business Transformation:

In 2014 Bupa Arabia was successful in advancing and modernizing the Information Technology foundation of Bupa Arabia and in developing and acquiring additional IT talent; this will directly contribute to achieving the company's strategic goals and vision. Importantly, in 2014 we took the strategic decision to introduce Microsoft CRM to further improve functionality and enable Bupa Arabia's commercial and operational functions. This will result in the improvement of lead conversion and customer retention, customer service and our HealthCare Operations. It will also ensure the benefits of the new CRM platform will be felt by customers, staff and management.

The Three Year IT Strategy plan is progressing very well, where functions and capabilities have been restructured to better support the Bupa Arabia strategy; the "Demand and Release" and "Data Warehouse and Business Intelligence" capabilities have been restructured and additional expertise appointed to yield real business benefit. Additionally, significant automation and operational performance improvements were successfully implemented, particularly for HealthCare Operations, which reported a remarkable 30% efficiency improvement.

Core elements of the Bupa Arabia IT Infrastructure were upgraded and several technical audit exercises were successfully conducted. A monitoring solution was successfully implemented providing proactive visibility and improving the level of responsiveness. Also, a centralized Access Control and Telephony solution was successfully implemented for Jeddah and Riyadh. 2014 also witnessed the achievements of several projects and initiatives in close cooperation with Finance and other business units, including Collections auto-identification (VIBAN) and the integration with SIMAH systems (for uploading client debtor defaulters). In addition and with the support of the Bupa Arabia teams, the company met its Information Governance target (72% compliance).

In 2015, the execution journey of the agreed three Year IT strategy will continue with the prime focus on CRM implementation and providing further innovative solutions, including key initiatives covering CRM, Customer Service, High Availability and Online Services, Mobile Applications, the Saudi Family business segment and our Riyadh City store, all of which have been identified as very promising segments.

13 – 24 Additional disclosures (in accordance with laws and regulations):

• 13.1 Board of directors and membership in other joint stock companies' Boards:

During the year, the Board of Directors commenced its new three year term, on 05/06/2014G, 07/08/1435H, as announced on Tadawul, as part of the General Assembly meeting minutes announcement of 08/06/2014G, 10/08/1435H, having previously announced the start of the start of the Board nomination period on Tadawul on 23/04/2014G, 23/06/1435H. Subsequent to the commencement of the new Board term, as a result of their resignations from Bupa in the United Kingdom, two of the Non-Executive Board members representing Bupa Investments Overseas Limited resigned from the Bupa Arabia Board and were replaced during the year. These appointments were approved by SAMA and the Bupa Arabia Board during the year and will be tabled for the approval of the shareholders in the 2014 General Assembly meeting taking place during 2015 (refer section 13.2 for further details).

Membership	Director name	Membership of other joint stock company Boards
Non-Executive	Eng. Loay Hisham Nazer	Not applicable
	Mr. David Martin Fletcher	Not applicable
	Mr. Edward George Fitzgerald Hannan	Not applicable
	Mr. Ignacio Peralta Gracia	Not applicable
Independent	Mr. Aamer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
	Mr. Abdulhadi Ali Saif Shayif	Saudi Hollandi Bank, The Arabian Cement Company
	Mr. Zaid Abdulrahman Al-Gwaiz	Middle East Specialized Cables (MESOC), Rajhi Steel company
Executive	Mr. Tal Hisham Nazer	Not applicable

• 13.2 Board of director changes during the year:

The Board of Directors on 13/11/1435H, 08/09/2014G, approved the foreign shareholder's (Bupa Investment Overseas Limited) request to change its representatives on the Board and accepted the resignations of its existing Board representatives effective from 13/11/1435H, 08/09/2014G. The Board approved the proposed replacement Board members, Mr. Edward George Fitzgerald Hannan and Mr. David Martin Fletcher, on 08/09/2014G, 13/11/1435H, as announced on Tadawul on 09/09/2014G, 14/11/1435H, subject to the approval of SAMA, which was received on 25/12/2014G, 03/03/1436H, and was announced on Tadawul on 28/12/2014G, 06/03/1436H, and will be subject to the approval of the General Assembly meeting, which will take place during 2015. The new Board members will complete the new three year Board cycle which commenced on 05/06/2014G.

Outgoing and date	Incoming and date	Representing
Mr. Saleh Nasser Al-Jassar (to 04/06/14, previous Board term completion)	Mr. Zaid Abdulrahman Al-Gwaiz (from 05/06/14, new Board term commencement)	Public shareholders (Independent Board Member)
Mr. James Gordon Wheaton (resigned 08/09/2014)	Mr. Edward George Fitzgerald Hannan Board approval 08/09/2014 SAMA approval 25/12/2014	Bupa Investments Overseas Limited
Mrs. Elizabeth Alison Platt (resigned 08/09/2014)	Mr. David Martin Fletcher Board approval 08/09/2014 SAMA approval 25/12/2014	Bupa Investments Overseas Limited

• 13.3 Benefits and emoluments of board members and senior executives:

The table below details salaries, emoluments, allowances and bonuses received by board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2014 to 31/12/2014:

Description	Executive Member	Non-Executive Members / Independents	Top Five Senior Executives (including CEO and CFO)		
	2014 SR000s	2014 SR000s	2014 SR000s	2013 SR000s	2014 Change
Salaries and emoluments	120	900	9,572	8,546	1,026
Board Allowances	12	84	N/A	N/A	N/A
Bonuses	N/A	Nil	6,121	620	5,501
LTIP and EOS	N/A	Nil	7,309	3,195	4,114
2014	132	984	23,002	12,361	10,641
2013	132	525	12,361		
2014 Change	0	459	10,641		

The amounts reflected for the Executive Member, who is also the CEO, are the attendance fees and allowances for the Board and Committee meetings attended. The CEO bonus, LTIP and EOS amounts are contained within the five senior executives section of the table. There were no bonuses, LTIP or EOS benefits paid or provided for in relation to any other Board members.

The Non-Executive Members / Independents 2013 SR525k was net of a 2012 accrual reversal in 2013 of SR477k, without which the 2013 figure would have been SR1,002k (SR900k Salaries and emoluments, as per 2014, and SR102k Board Allowances, versus 2014 at SR84k).

• 13.4 Description of the Bupa Arabia equities of the board members and their immediate family members:

The Bupa Arabia equities held by the Board members, and their immediate family members, of Bupa Arabia are as detailed below at 31/12/2014:

Interest of the Company's Board members and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries

Name of Director	Opening 31/12/2013		Closing 31/12/2014		change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Eng. Loay Hisham Nazer	1,000	-	1,000	-	-	0%
Mr. Tal Hisham Nazer	1,000	-	1,000	-	-	0%
Mr. Aamer Abdullah Ali Reza	6,000	-	6,000	-	-	0%
Mr. Abdulhadi Ali Saif Shayif	100,025	-	152,357	-	52,332	52%
Mr. Zaid Abdulrahman Al-Gwaiz	1,000	-	1,000	-	-	0%
Mr. Ignacio Peralta Gracia (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mr. Edward George Fitzgerald Hannan (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mr. David Martin Fletcher (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-

Bupa Investments Overseas Limited has registered 1,000 shares with the CMA for each Board member as guaranteed shares for its representatives on the Bupa Arabia Board (as required by the CMA regulations). 75,025 of the shares reflected as the opening shares for Mr. Abdulhadi Shayif are shares which were already owned by Mr. Abdulhadi Shayif prior to his commencement of any term period as a Director of Bupa Arabia.

• **13.5 Description of the Bupa Arabia equities of the senior executives and their immediate family members:**

The Bupa Arabia equities held by the senior executives, and their immediate family members, of Bupa Arabia are detailed below:

Interest of the Company's Senior Executives and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries

Name of Director	Opening 31/12/2013		Closing 31/12/2014		change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Fraser David Gregory	7,000	-	7,000	-	-	0%

• **13.6 Description of any interest in a class of voting shares held by other persons:**

Other than the equities and interests of the Board members and their immediate family members, and the equities and interests of the senior executives and their immediate family members, as detailed within the preceding sections 13.4 and 13.5, Bupa Arabia is not aware of any other interest in a class of voting shares held by persons that have notified Bupa Arabia of their holdings pursuant to Article 45 of these rules.

• **13.7 Board meetings and attendances:**

As required in terms of the CMA disclosure requirements of Article 43, paragraph 16, the Board meetings, and Directors' attendance record, for the year are reflected below:

Director name and period	Position	Membership	Board 1 25/02/2014	Board 2 07/05/2014	Board 3 09/07/2014	Board 4 08/09/2014	Board 5 5-6/11/2014
Eng. Loay Hisham Nazer (full year)	Member	Non-Executive	Y	Y	Y	Y	Y
Mr. Tal Hisham Nazer (full year)	Member	Executive	Y	Y	Y	Y	Y
Mr. Aamer Abdullah Ali Reza (full year)	Member	Independent	Y	Y	Y	Y	Y
Mr. Saleh Nasser Al-Jassar (to 04/06/14, term completion)	Member	Independent	Y	Y	N/A	N/A	N/A
Mr. Zaid Abdulrahman Al-Gwaiz (from 05/06/14, new term)	Member	Independent	N/A	N/A	Y	Y	Y
Mr. Abdulhadi Ali Saif Shayif (full year)	Member	Independent	Y	Y	Y	Y	N
Mr. Edward George Fitzgerald Hannan (from 08/09/2014)	Member	Non-Executive	N/A	N/A	N/A	Y	Y
Mr. David Martin Fletcher (from 08/09/2014)	Member	Non-Executive	N/A	N/A	N/A	Y	Y
Mrs. Elizabeth Alison Platt (to 08/09/2014, Resigned)	Member	Non-Executive	Y	Y	Y	N/A	N/A
Mr. James Gordon Wheaton (to 08/09/2014 Resigned)	Member	Non-Executive	Y	Y	Y	Y	N/A
Mr. Ignacio Peralta Gracia (full year)	Member	Non-Executive	Y	Y	Y	Y	Y

• 13.8 Major board resolutions during the year:

Amongst major Board resolution/approvals during the year were the following:

- The 2013 Annual Financial Statements and the 2013 Annual Board Report, per the Audit Committee approval recommendation to the Board, as announced on Tadawul on 20/02/2014G, 20/04/1435H,
- The recommendation, as announced on Tadawul on 23/04/2014G, 23/06/1435H, subject to the approval of SAMA and the Ordinary General Assembly Meeting, and thereafter the Board approval, of Dividends of SR20m, for the 2013 year, all of which approvals were subsequently obtained (refer section 13.9),
- The 2013 fourth quarter, and 2014 first, second and third quarters' interim financial statements, the results as announced on Tadawul on 21/01/2014G, 16/04/2014G, 17/07/2014G and 19/10/2014G,
- The conflicts of interests, subject to the shareholder approval in the Ordinary General Assembly Meeting, and as reflected in this Board report,
- The Ordinary General Assembly meeting agenda and invitation, as announced on Tadawul on 07/05/2014G, 08/07/1435H,
- The appointment of the joint external Auditors as PricewaterhouseCoopers and Deloitte & Touche, for the 2014 financial year, per the Audit Committee approval recommendation to the Board, subject to the shareholder approval in the Ordinary General Assembly Meeting, and subsequently approved by the Ordinary General Assembly meeting (refer section 13.9)
- The appointment of Mr. Gareth Evans to the Audit Committee, in place of Mr. James Wheaton, for the remainder of the term, subject to the approval of SAMA, and subsequently approved by SAMA,
- The appointment of Mr. Edward Hannan to the Nomination and Remuneration Committee, in place of Mr. James Wheaton, for the remainder of the term,
- The appointments of Mr. David Fletcher, and Mr Edward Hannan, to the Executive Committee, in place of Ms. Alison Platt, and Mr James Wheaton,
- The appointment of Mr Zaid Al-Gwaiz, as Investment Committee Chairman, in place of Mr. Saleh Al-Jasser, subject to the approval of SAMA, and subsequently approved by SAMA,
- The approval of the appointments of the Chairman of the Board, the Vice-Chairman, the CEO and the formation of the Board Committees, as announced on Tadawul on 12/06/2014G, 14/08/1435H,
- The approval of the change in Chief Executive Officer (CEO) package, as per the recommendation approval of the Nomination and Remuneration Committee,
- The approval of the liquidation of the shares held on behalf of the scheme members under the Long-Term Incentive (LTIP) scheme, as per the recommendation approval of the Nomination and Remuneration Committee, due to the in-progress development of an enhanced scheme effective from the commencement of the 2015 financial period (as disclosed in note 20 of the annual financial statements and refer section 20 of this Board report).

• 13.9 General assembly meeting during the year:

Bupa Arabia's Annual Ordinary General Assembly Meeting (the seventh Ordinary General Assembly Meeting) of the shareholders convened on 07/08/1435 H, 05/06/2014 G, during which the following outcomes were concluded:

- Resolution 1: The approval of the Board of Directors report for the year ended 28/02/1435 H, 31/12/2013 G (12 months),
- Resolution 2: The approval of the Annual Financial Statements, and the report of the external auditors, for the year ended 28/02/1435 H, 31/12/2013 G (12 months),
- Resolution 3: The approval of the selection and appointment of the joint external auditors (PricewaterhouseCoopers and Deloitte & Touche), and the setting of the external auditors' fees, for the company's financial statements for the year ending 09/03/1436 H, 31/12/2014 G, in line with the recommendation of the Audit Committee,
- Resolution 4: The election of the new Board of Directors, from the nominees, for the new term period of three years, which will commence on 07/08/1435 H, 05/06/2014 G. The election was based on a vote for each share (normal voting) and the appointed Board members were as follows: 1- Eng. Loay Hisham Nazer 2- Mrs. Elizabeth Alison Platt 3- Mr. James Gordon Wheaton 4- Mr. Ignacio Peralta Garcia 5- Mr. Abdulhadi Ali Shayif 6- Mr. Aamer Abdullah Ali Reza 7- Mr. Zaid Abdul Rahman Al Gwaiz 8- Mr. Tal Hisham Nazer
- Resolution 5: The Clearance authorisation for absolving the directors of their responsibilities and duties that the Board has been performing during the period from the end of the previous term to the day of the General Assembly meeting,
- Resolution 6: Approve the ratification of Business and Contracts where a Board member has a direct or an indirect interest during the year 2013, and during 2014 if applicable, as per the below:
- Al Majd Al Rraqi Company for Medical Care and Health Services Limited (providing services associated with Diaverum), is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided services at a cost estimated at SR415k for the full period, and as at 31/12/2013G SR237k was estimated as payable, as well as continued services, and associated fees, until the end of 2014,
- Mr. Abdulhadi Shayif owns a 1% shareholding in the Shariah Review Bureau (SRB), a company providing Shariah Consulting Services to Bupa Arabia and to which payment of SR 150k was made during the 2013 year, as well as continued services, and associated fees, until the end of 2014,
- Trans Arabian Creative Communications (TRACCS) is 45% owned by Nazer Group Holding, and those whom have a direct interest are; Eng. Loay Nazer, Chairman and Mr. Tal Nazer, Chief Executive Officer, where these are fees for handling the Public Relation matters related to the company with a sum of SR211k in 2013, as well as continued services, and associated fees, until the end of 2014,
- Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no IS928 dated 07/07/1430H, 30/06/2009G and the insurance portfolio transfer agreement and formalities were completed during 2009. The insurance portfolio purchase/sale agreement provided for the payment of fees relating to the outstanding Goodwill consideration amounts and SR3,355k, in accordance with this, were included in the 2011 results. The SR3,355k fees were settled to the seller in 2013 after SAMA's approval was received via SAMA letter number 341000017461,
- In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430H, corresponding to 9/09/2009G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related

party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, 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 related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. During 2013 the trade mark fee payable amounted to SR9,714k, as well as continued services, and associated fees, until the end of 2014,

- The Company on 28/2/1435H, corresponding to 31/12/2013G, entered into a reinsurance contractual agreement with Bupa Insurance Limited, a related party, to reinsure part of the written premium related to its customers, and their dependents, outside the Kingdom. Bupa Insurance limited is a subsidiary of the Bupa Group and which is represented on the Bupa Arabia Board of Directors by Mr. Ignacio Peralta Gracia, Ms. Elizabeth Alison Platt and Mr. James Gordon Wheaton. During 2013 the ceded premium amounted to SR76,661k, which represents approximately 3% of the 2012 annual written premium, as well as continued services with this reinsurance contractual agreement, and associated fees, until the end of 2014,
- During 2013 the Company has with companies entered into health insurance contracts in which certain of the Bupa Arabia Board members have an interest or an association and can confirm that these contracts have been priced on an arms-length basis and in line with the Company's agreed targeted pricing and loss ratio requirements. The Company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other customers, as well as continued services under these contracts, if applicable, or upon renewal, during 2014,
- During 2014, certain employees of the Company worked on a project owned by the Nazer Group Limited, a related party as one of the shareholders of the Company. As a result, the related costs of these employees, for the period they worked on the related party project, will be recharged to the related party. The recharged expense, for the three month period ended 31/03/2014, was SR536k, as well as the continued recharge of such services, where applicable, during 2014.
- Resolution 7: Approve the recommendation of the Board of Directors to pay a dividend, for the year ending 31/12/2013G, of SR0.50 per share totaling SR twenty million (SR 20,000,000), representing 5% of the paid up capital, to shareholders registered at the date of the ordinary General Assembly Meeting on Thursday 7 Sha,baan 1435H, corresponding to 5th June 2014G. The date of the cash dividend payment will be confirmed at the ordinary General Assembly Meeting and will be within 30 days of the General Assembly meeting. This proposed cash dividend payment represents 5% of the nominal value of each share.
- Resolution 8: Approve the recommendation of the Board of Directors to set the specific and explicit policies, standards and procedures as required by Article 10 e listed in the Corporate Governance regulations as issued by the Capital Market Authority (CMA) and other policies as required by other regulatory authorities as applicable as per the below:
 - Fit & Proper Persons Policy
 - Corp Social Responsibility (CSR) & Sustainability Policy
 - Corp Governance Framework
 - Employee Code Of Conduct Policy
 - Information Governance Framework
 - Information Governance & Confidentiality Policy
 - Outsourcing Policy & Procedures
 - Complaint Management System
 - IT Security Policy
- Resolution 9: The approval of SR591k as the remuneration for the members of the Board of Directors for the year ended 31/12/2013 G in accordance with article 17 of the company by-laws.
- Resolution 10: The absolving of the Board of Directors of their legal and financial responsibility for managing the company for the year ended 28/02/1435 H, 31/12/2013 G (12 months),

In terms of the CMA corporate governance regulation Article 5, shareholders shall be able to peruse the minutes of the General Assembly: the Company will provide the Authority with a copy of the General Assembly meeting minutes within 10 days of the convening date of the General Assembly Meeting. The Tadawul exchange shall be immediately informed of the results of the General Assembly, and the public informed, through the prompt announcement on Tadawul of the results of the General Assembly.

• 13.10 Related party transactions:

The company has related party transactions, due mainly to the ownership in a few of the companies Bupa Arabia deals with, by Bupa and Nazer, and a summary of which is reflected in the table immediately below, with further details associated with these transactions covered in sections 13.11, 13.12 and 13.13:

Legal Entity	Related parties	Description	Period	2013 SRK	2014 SRK	2014 Change
Bupa Global Market Unit	Bupa Group	Reinsurance premiums ceded	Annual - full year	76,661	74,858	- 1,803
Bupa Middle East Holdings W.L.L.	Bupa Group and Nazer	Trade mark fee	Annual - full year	9,714	11,505	1,791
Nazer Medical Clinics Company	Nazer	Bupa Arabia staff expenses recharged	Annual - full year	-	2,517	2,517
Nazer for Dialysis and Healthcare Services Co. Ltd	Nazer	Claims paid to medical provider	Annual - full year	415	609	194
TRACCs	Nazer	Public relations consulting	Annual - full year	211	168	- 43
Shariah Review Bureau (SRB)	Mr. Abdulhadi Shayif	Shariyah consulting	Annual - full year	150	150	-
Total these listed				87,151	89,807	2,656

• 13.11 Insurance contracts with companies related to Board members:

The company has entered into health insurance contracts with companies in which certain of the Bupa Arabia Board members have an interest or an association. Bupa Arabia can confirm that these contracts have been priced on an arm's length basis and in line with the Company's agreed targeted pricing and loss ratio requirements. The Company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other customers. The premiums written and the claims paid in relation to these insurance contracts are included in the transactions with related parties, note 12, in the annual financial statements.

• 13.12 Other contracts with companies related to Board members:

During the financial period the Company contracted with Trans-Arabian Creative Communications (TRACCs) for public relations services. TRACCs is a company in which the Nazer Group Limited has a stake holding of forty-five percent. The Company confirms that proper arm's length tendering processes for the services took place and that the expense of the Company, with TRACCs, amounted to SR168k during the 2014 financial year (2013 SR211k). The contractual arrangement was approved during the 2011, 2012 and 2013 Annual Ordinary General Assembly meetings which took place during 2012, 2013 and 2014. Its approval will also form part of the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015, for the approval of the shareholders (in accordance with Article 18 of the CMA Corporate Governance regulations) and will be provided to the Bupa Arabia Board of Directors for approval during 2015 (the related party Board members will not vote on this matter). The External Auditors will be requested to provide a full report on this agreement and this will be presented to the 2014 Annual Ordinary General Assembly meeting during 2015.

Since the second quarter of 2012 the Company has contracted with a Dammam based provider of dialysis services, Al Majd Al Rraqi Company for Medical Care and Health Services Limited (a company providing services associated with Diaverum), and which is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. The related party relationship therefore exists due to the ownership/Board memberships of Eng. Loay Nazer and Mr. Tal Nazer (Chairman and Executive Director/CEO of Bupa Arabia respectively). The contract is a provider relations contract for the duration of twelve months for every year, and is expected to continue each year, subject to the approval of the shareholders in the General Assembly meeting each year. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided dialysis services to Bupa Arabia patients at a cost to the Company estimated at SR609k for full year 2014 (versus SR415k estimated for the full year 2013). At 31/12/2014 SR281k was estimated as payable to Al Majd Al Rraqi Company for Medical Care and Health Services Limited (SR237k estimated as payable for 2013 as at 31/12/2013). Bupa Arabia confirms that the contract was priced on an arm's length basis and in line with the same procedures as the Company's other hospital providers and clinics. The Company further confirms that the contract carries no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other hospital providers and clinics. During the year Al Majd Al Rraqi Company for Medical Care and Health Services Limited changed its name to Nazer for Dialysis and Healthcare Services Co. Ltd so the related party changes accordingly.

Mr. Abdulhadi Shayif, independent Board member, owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia and which represented an operating expense to Bupa Arabia in 2014 of SR150k (2013 year was SR150k). The contract is an annual contract for the provision to Bupa Arabia of Shariah review services and is expected to continue each year, subject to the approval of the general assembly meeting each year.

In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430 H, 9/09/2009 G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, 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 related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. The trade mark fee is payable at different rates linked to the results of the Company. Consequent to the increase in the results a higher rate of trade mark fees is payable. Accordingly, during 2014 the trade mark fee amounted to SR11,505k, compared to 2013 of SR9,714k.

The above contractual arrangements were approved by the Board of Directors during 2012, 2013 and 2014 (the related party Board members did not vote on these matters) and will also be presented to the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015, for approval.

During the preceding year the Company signed a reinsurance agreement, on 28/2/1435 H, 31/12/2013 G, with Bupa Insurance Limited (a Related Party) to reinsure part of the written premium related to its customers outside the Kingdom, and their dependents. Bupa Insurance Limited is a subsidiary of the Bupa Group which is represented on the Company's Board through Bupa Investments Overseas Limited by Mr. David Fletcher, Mr. Edward Hannan and Mr. Ignacio Peralta Gracia. The premium ceded at 31/12/2014 was SR75m (at 31/12/2013 was SR 77 million), which represents around 1.3% of the 2014 annual gross written premiums (it was 2.4% of the 2013 annual gross written premium). Bupa Arabia will seek the shareholders' approval at the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015.

Where any Board member had a conflict of interest the approval voting of the Board excluded the Board member with the conflict of interest.

The Company confirms that other than the above, and below (in section 13.13), specific contracts there are no other contracts to which the Company is a party and in which a Director, the CEO, the CFO or any associate is or was materially interested.

• 13.13 Other related party transactions:

A shareholder, not related to the Board members of the Company, used to also be a hospital provider. The written premium, and medical cost payments, and estimated medical costs payable as at 31/12/2013, associated with this shareholder hospital provider, were reflected in the related parties note 12b) in the annual financial statements. During 2014, this shareholder related party sold its holding in the Company and therefore is not a related party as of 31/12/2014.

During 2014 certain employees of Bupa Arabia worked on a project owned by a Nazer Group company, Nazer Medical Clinics Company, whilst this company is in the process of being created. The related costs of these employees, for the period worked on the project, were recharged to the related party, amounting to SR2.5m, and were settled by the related party during the current period. This was reflected in the related parties note 12d) in the annual financial statements.

During the current year there were no further transactions between Bupa Arabia and Bupa Middle East Limited E.C. as, during 2013 Bupa Arabia received SAMA's approval letter, number 341000017461, for the full and final settlement of the SR3,355k final payment, related to the transfer of the insurance portfolio, as was provided in the 2011 and 2012 results, to Bupa Middle East Limited E.C..

14. Other disclosures in accordance with laws and regulations:

• 14.1 Provision of corporate governance:

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the corporate governance regulations as issued by the CMA's council in its bulletin No. 1-1-2009, dated 08/01/1430 H, 05/01/2009 G, with the following minor exceptions:

Article Number	Article section and narrative	Reason for non-compliance
6 – Voting Rights	b) In voting in the General Assembly for the nomination to the Board members, the accumulative voting method should be applied.	The company follows the regulations of Article 93 of the Ministry of Commerce, and Article 34 of the Bupa Arabia company by-laws. Article 34 of the Company's by-laws states: "the company counts the votes in the established assembly of the Ordinary General Assembly and the Extraordinary Assembly based on a vote for each share."

In terms of the CMA Corporate Governance regulation article number 10, section e, regarding policies that regulate the relationship with stakeholders to protect their respective rights, Bupa Arabia enhanced its policies and obtained formal Board approval during 2014 for the below detailed:

- Mechanisms for indemnifying the stakeholders in case of contravening their rights under the law and their respective contracts.
- Mechanisms for settlement of complaints or disputes that might arise between the company and the stakeholders.
- Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
- A code of conduct for the company's executives and employees compatible with the proper professional and ethical standards and which regulates their relationships with stakeholders. The Board of Directors will lay down procedures for supervising this code and ensuring compliance to it.
- The Company's social contributions.

• 14.2 Corporate governance and risk management:

The company provides a framework of corporate governance and risk management through a "three lines of defence" strategy which sets out clear responsibilities for the day to day corporate governance and management of risk. The Corporate Governance code was approved by the Board during 2010 and its structure comprises a "first line" of Risk Management from the company's senior management responsible for the different areas of functionality for the day to day operation of the business, a "second line" of Risk Control for the Board and its various sub-Committees, through the Risk and Compliance Committee (R&CC) and other key control functions (such as Risk Management, and Compliance) and a "third line" of Risk Assurance provided by the independent control functions (the Internal Audit Services (IAS) department and the Audit Committee).

The company has adopted a risk management approach to comply with the regulations as mandated by SAMA and the risk management function is responsible for the identification, assessment and reporting on the status of risks and risk actions. Where risks are not adequately mitigated enhancements of controls, procedures and processes are recommended and monitored for implementation effectiveness and timeliness.

During 2015 the Company will seek to further enhance its corporate governance through the development/enhancement of its Corporate Governance related codes and specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly meeting. The aforementioned in support of the CMA regulations as contained within article 10 clauses c and d.

During 2014, there were changes in the members of the Board of Directors through the formal approval of the appointment of the new Board and Committees for the new three year term, commencing from 08/06/2014. Subsequent to the new Board member appointments the members of the Board representing Bupa Investments Overseas Limited, as reflected in section 13.9, Resolution 4, were implemented following the resignations of two of the previous Board member representatives. Subsequent to the commencement of the new term of the Board and its Committees the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Mrs. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors. Mr. Edward Hannan also replaced Mr. James Wheaton on the Nomination and Remuneration Committee. The 2014 membership changes, and the activities of the different Board Committees, and independent control functions, are summarised in the sections below:

• 14.3 Audit Committee and internal controls:

Audit Committee Purpose	Member Names	Meetings
The purpose of the Audit Committee is to ensure the integrity of the Company's financial statements, to review and, where appropriate, make recommendations to the Board on internal financial controls, internal audit, compliance, and to review the external audit process and external auditors' performance. The Audit Committee approves the annual internal audit and compliance inspection plans. The Audit Committee reviews, together with the external auditors, the audit plan and makes any comments thereon. The Audit Committee will also have oversight, through the company's Risk and Compliance Committee (R&CC), for ensuring that the company's risk management processes, and procedures, are adequate and effective, particularly with regard to the impact on the company's financial reporting and its code of business conduct. In performing its duties the Audit Committee will maintain effective working relationships with the Board of Directors, management, the Risk and Compliance Committee and the external and internal auditors.	Mr. Abdulhadi Shayif (Chairman and independent Board member) Mr. Mohamed Ayouty (Independent member) Mr. Gareth Evans	The Audit Committee convened five (5) times during 2014

During 2014 the Audit Committee membership changed, following the new Board term, and the resignation of previous Audit Committee member Mr. James Wheaton from the Board, the Board approved the appointment of Mr. Gareth Evans to the Audit Committee, subject to the approval of SAMA, which approval was subsequently received from SAMA. SAMA also approved the continuation of Audit Committee membership of Mr. Mohamed Ayouty, an independent non-Board member, and Mr. Abdulhadi Shayif (independent Board member) as the Audit Committee Chairman, both of whom were in place throughout the full year.

- The Risk and Compliance Committee (R&CC) is a sub-committee of the Audit Committee and its members are the chief executive team of the business. The Chief Financial Officer is the Chairman of the R&CC. The purpose of the committee is to ensure that Bupa Arabia adopts a robust, consistent, proportionate and cost effective approach towards the identification, analysis and control of the key risks that could threaten the Company. This committee supports the Audit Committee by giving a dedicated focus to embedding effective policies and procedures into the organisation regarding Internal Audit, Risk Management and Regulatory Compliance. Additionally this committee has oversight of Business Continuity and Disaster Recovery Planning, Health and Safety, Financial Crime and Anti-Bribery/corruption. The Compliance Officer and the Internal Audit Services Manager both formally report to the Chairman of the Audit Committee to ensure appropriate independence. The R&CC met four times during 2014.
- Internal Audit Services (IAS) - The IAS department completes a variety of internal audits during each year, covering the majority of operational processes and controls and the arising recommendations are monitored by the IAS department for implementation and reports communicated and reviewed by the Audit Committee, the R&CC, and also discussed at the Committee meetings (refer section 14.3.1 for the current year audits completed).
- Compliance - The Compliance department completed a number of varied internal inspections during the year, covering key processes/controls and recommendations arising from the same were thereafter monitored by the Compliance department for implementation and reported to the R&CC, and Audit Committee on a routine basis.
- Risk Management – the Company, through the Finance Reporting & Control department’s Risk Officer, undertakes a formal structured risk review process which comprises a Quarterly Risk Assessment (QRA) of the business risks for reviewing the risk items, the risk materiality, the appropriateness of existing mitigating controls and for setting risk action plans where risk mitigation controls are considered inadequate. The QRA process followed by the Company is part of the Bupa Group’s worldwide standard and four QRAs were completed during 2014 with risk recommendations arising progressed. The key risks that management are currently reviewing and managing closely are itemised in section 6.5.
- The reports, findings and recommendations arising from the activities of each of the internal audit, compliance and risk management processes are communicated to the external Audit Committee as well as the R&CC. Key issues and actions arising are formally discussed during the Audit Committee, and R&CC, meetings and progress against required completion of recommendations monitored.

•14.3.1 Results of the annual audit of the effectiveness of the internal control procedures:

- The IAS department successfully completed, in accordance with the Audit Committee approved 2014 IAS schedule, the below more significant internal audits during the current year:
 - Provider contracting processes
 - Claims fraud management processes
 - Individual and new product pricing processes
 - Intermediaries processes
 - Information Governance
 - Payroll processes
 - Marketing management and processes
 - Technology services processes

The overall findings of the IAS department, based on its internal audits completed during 2014, were that the internal control procedures were effective.

- The results of the annual external audit, as performed by the joint external auditors, of the effectiveness of the internal control procedures of the Company, found that Bupa Arabia’s internal control procedures and independent control functions are effective. There were no significant audit adjustments required and no material weaknesses in internal controls identified. This outcome illustrates that the internal control and risk management procedures followed by the Company are appropriate and effectively executed in a manner so as to ensure the accuracy of financial reporting, and also compliance with regulations.

• 14.4 Executive Committee:

Executive Committee Purpose	Member Names	Meetings
The purpose of the Executive Committee is to set the annual income target of Bupa Arabia which is thereafter ratified by the Board. The Executive Committee supports the Board with the management of the business through the review, and monitoring, of all aspects of the operational performance of the company on a monthly basis (to ensure that there are no barriers to achieving the objectives set). It also reviews and approves, as required per its terms of reference, certain aspects of a commercial nature, and ensures the company is fully compliant with all regulatory requirements.	Eng. Loay Nazer (Chairman) Mr. David Fletcher Mr. Edward Hannan Mr. Tal Nazer	The Executive Committee convened eight (8) times during 2014

Subsequent to the commencement of the new term of the Board and its Committees the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Ms. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors.

• 14.5 Nomination and Remuneration Committee:

Nomination and Remuneration Committee Purpose	Member Names	Meetings
The purpose of the Nomination and Remuneration Committee is to effectively manage Board and Board Committee appointments and to recommend to the Board of Directors appointments to the Board, and Board Committees. The Nomination and Remuneration Committee also annually reviews the requirements of suitable skills for membership of the Board of Directors and Board Committees. The committee provides approvals for the remuneration packages (including bonuses, long term incentives and salary inflation related increases) of the CEO and other senior executives. The committee also reviews and approves the rules of the company bonus/incentives/long term incentive plans and payments. Additionally, the committee supervises the recruitment of key managerial positions, approves the human resources policies and procedures and makes recommendations regarding Board and Committee appointments.	Eng. Loay Nazer (Chairman) Mr. Edward Hannan Mr. Aamer Ali Reza (independent Board member) Mrs. Kate Browne	The Nomination and Remuneration Committee convened twice (2) during 2014

The Board of Directors approved the appointment of Mr. Edward Hannan, to the Nomination and Remuneration Committee, in place of Mr. James Wheaton, for the remainder of the term.

• 14.6 Investment Committee:

Investment Committee Purpose	Member Names	Meetings
The purpose of the Investment Committee is to assist the business in developing its investment policy and to thereafter supervise its adherence to the same. To manage the company's investments to achieve the best return for the business, within the given risk parameter as approved by the Board, taking into account liquidity requirements and solvency constraints. The Committee will also monitor investment performance and act as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with SAMA's regulations and are fully Shariah compliant. Among other duties, the committee also provides investment advice to the business and the Board of Directors and will approve institutions to be used for significant investment placements.	Mr. Zaid Al-Gwaiz (Chairman and independent Board member) Mr. Khaled Alkhattaf (independent member) Mr. Evantz Perodin	The Investment Committee convened three (3) times during 2014

During the year, due to the new term of the Board and Committees, the Audit Committee membership changed with Mr. Zaid Al-Gwaiz, new independent Board member, replacing Mr. Saleh Nasser Al-Jassar, as Chairman of the Audit Committee, and Mr. Evantz Perodin replacing Mr. Gareth Evans. Mr. Khaled Alkhattaf continued as independent committee member on the new term.

15. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 43, paragraphs 7 and 8, the Company, and the Board of Directors, confirms it has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

16. No borrowings or loans:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 12, the Company, and the Board of Directors, confirms it has no borrowings or loans outstanding at the end of the current twelve month period and nor has it been required to make any payments against borrowings or loans during this twelve month period.

17. Declarations relating to debt instruments, options, warrants and rights:

As required in terms of the CMA disclosure requirements of Article 43, paragraphs 13, 14 and 15, the Company, and the Board of Directors, confirms the below declarations:

That it has not issued, nor granted, any convertible debt instruments, options, warrants or similar rights during the financial year and accordingly has not received any consideration for the same,

That it has not converted, nor issued, nor granted, any subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights during the financial year,

That it has not redeemed, purchased or cancelled any redeemable debt instruments during the financial year. The Company has no such securities outstanding so the value of the same is nil.

18. Declarations relating to waiver of salary, compensation and rights to dividends:

As required in terms of the CMA disclosure requirements of Article 43, paragraphs 19 and 20, the Company, and the Board of Directors, confirms the below declarations:

That there have been no instances of any arrangements or agreements under which any director or senior executive of the Company has waived any salary or compensation,

That there have been no instances of any arrangements or agreements under which any shareholder of the Company has waived any rights to any dividends.

19. Statutory payments and payable to regulatory bodies:

As required in terms of the CMA disclosure requirements of Article 43, paragraph 21, during 2014 the Company made payments, and has amounts payable, to the various Saudi Arabian regulatory bodies as detailed within the table, and thereafter explained in the narrative, below:

•19.1 Table of payments and payable to regulatory bodies:

	Paid SR000s	Payable SR000s
Zakat and income taxes	12,743	23,903
Levies and license fees	59,243	61,511
GOSI	13,020	1,468
Total	85,006	86,882

•19.2 The Department of Zakat and Income Tax (DZIT):

The total paid to the DZIT during the year, for Zakat and Income Tax, was SR12,743k (SR6,568k for the 2013 DZIT return (SR 2,892k for Zakat and SR3,676k for Income Tax) and SR6,175k as a 2014 advance Income Tax payment). The SR23,903k payable includes a SR16,575k provision for the 2014 DZIT return (SR6,332k for Zakat and SR10,243k for Income Tax) and this will be paid to the DZIT before 11/07/1436 H, 30/04/2015 G (as per the DZIT regulations). In addition to the Zakat and Income Tax payments an amount of SR5,759k was paid to the DZIT during the 2014 year for withholding tax (SR6,890k is provided in the results for 2014 related withholding tax, which is payable to the DZIT in 2015).

•19.3 The Saudi Arabian Monetary Agency (SAMA):

The total paid to SAMA during the year was SR27,467k for SAMA levies, SR24,595k for the first three quarters of 2014 and SR2,872k for the fourth quarter of 2013, which was fully provided in the 2013 results. The 2014 results include a provision for the 2014 fourth quarter SAMA levy of SR4,107k.

•19.4 The Council for Cooperative Health Insurance (CCHI):

The total paid to the CCHI during the year was SR31,775k for the 2013 CCHI levies, which was fully provided in the 2013 results. The 2014 results include a provision for the 2014 CCHI levies of SR57,405k.

•19.5 The General Organisation for Social Insurance (GOSI):

The total paid to GOSI during the year ended was SR13,080k which included payments of SR826k for 2013, which was fully provided in the 2013 results, and SR60k as a penalty related to a payment delay (refer 19.7). An amount of SR1,468k is provided in the 2014 results for the 2014 related GOSI amounts payable in 2015.

•19.6 Tadawul and the Capital Market Authority (CMA):

The Company paid SR315k to Tadawul which included SR300k as service fees in support of the stock exchange related administrative services/public reporting regulatory requirements and activities and SR15k as annual license fees that enable Bupa Arabia to publish issuer information on its website, directly from the Tadawul website. During the third quarter of 2014 Bupa Arabia received a SR10k penalty from the CMA, associated with the Bupa Arabia 2013 fourth quarter results announcement of January 2014, driven by the CMA different interpretation of the Bupa Arabia 2013 Q4 vs. 2013 Q3 results improvement, morning announcement of 21/01/14G "improved claims experience" required to be changed to "increase in net earned" on the afternoon of the same day (refer 19.7).

•19.7 Regulatory penalties:

The Company paid the General Organisation for Social Insurance (GOSI) an amount of SR60k as a penalty related to a payment delay (refer 19.5) and to the CMA an amount of SR10k due to CMA requiring a change to one of Bupa Arabia's Tadawul announcements (refer 19.6).

20. Long term incentive plan (LTIP):

As required in terms of the CMA disclosure requirement of Article 43, paragraph 22, during 2010 the Company implemented an approved Long term incentive plan (LTIP), for certain senior executives and the custodian obtained approval for the Bupa Arabia LTIP from the CMA and communicated its details to SAMA as required in terms of Article 57. An outcome of the LTIP is that some of the Company's own shares were held by the custodian on behalf of the senior executive(s) and as a result these were classified as "Shares held under Long-term incentive plan by the custodian".

During 2014, after obtaining the related internal approvals, and regulatory clarification, the Company, prior to 1st December 2014, disposed of all remaining shares held under the LTIP scheme and recorded the obligation under the LTIP scheme equivalent to the current year annual LTIP cash entitlement, as at 31st December 2014, as per the proceeds of the associated shares liquidated. These LTIP obligations will be settled on completion of the required internal approvals, during early 2015, in terms of the rules per the original LTIP scheme. The Company is currently in the process of launching a new enhanced LTIP scheme, which it intends will be starting effective 1st January 2015, subject to obtaining all relevant internal approvals followed thereafter by the required external regulatory approvals. Profit on the disposal of LTIP shares of SR27.6m (proceeds SR38.4m) has been credited directly to the retained earnings. As at 31st December 2014 the number of LTIP shares held is nil (at 31st December 2013 LTIP shares held was 280,318 shares) due to the current year shares disposal associated with the existing LTIP scheme termination. Further details are reflected in the annual financial statements LTIP note 20, and within the annual financial statements' Statement of changes in Shareholders' Equity.

21. Maintenance of proper records and books of account:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point a), and as required by Saudi Arabian insurance regulations, the Company, and the Board of Directors, confirms that proper books of account have been maintained and that it maintains separate accounts for each of Insurance Operations and Shareholder Operations, within its accounting records, and can confirm that it has maintained proper accounting records during the financial year.

22. Internal control system and effectiveness:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point b), the Company, and the Board of Directors, confirms the system of internal control is sound and robust in design, and has been effectively implemented.

23. Continuation as a going concern:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point c), the Company, and the Board of Directors, can confirm that there are no significant doubts concerning the Company's ability to continue as a going concern.

24. External auditors:

The joint external auditors of the Company, as approved per the Ordinary General Assembly meeting held on 05/06/2014G, 07/08/1435H, for the financial statements for the fiscal year ended 31/12/2014G, 09/03/1436H, were PricewaterhouseCoopers and Deloitte & Touche. This represents a change in the joint external auditors, from those appointed for the previous financial period, which external auditor firms were Ernst & Young and Deloitte & Touche, due to the completion by Ernst & Young of five successive years as external auditors of Bupa Arabia. As per the Board and Audit Committee recommendations, the Company sought to continue having its joint external auditors as two "big four" external auditing firms to further facilitate the external review and enhancement of the Company's processes.

Conclusion:

The Board of Directors would like to thank Bupa Arabia's customers for demonstrating continued extremely high levels of loyalty, as well as its investors, for contributing to the company's success and leadership within the Saudi Arabian health insurance market. The Board would also like to express their appreciation and gratitude to the Company's management and employees for their dedication, strong leadership and efforts throughout the reporting period.

A photograph of a desk setup. On the left, a silver laptop is partially visible. In the center, a pair of glasses rests on the desk. To the right, a tablet is open, and a small globe sits on top of it. The desk surface is covered with a large, light-colored map of the world. The background shows a window with vertical frames, letting in bright light.

FINANCIAL STATEMENTS



Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
P. O. Box 442, Jeddah 21411



P.O. Box 16415, Jeddah 21464
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' REPORT

THE SHAREHOLDERS

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the "Company") as at 31 December 2014, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year ended 31 December 2014 and related notes from 1 to 34 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards ("IFRS") and the provisions of Article 123 of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with IFRSs; and
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

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

Deloitte & Touche Bakr Abulkhair & Co.

PricewaterhouseCoopers

Waleed Bin Moha'd. Sobahi
Certified Public Accountant
Licence No. 378

Yaseen A. Abu Alkheer
Certified Public Accountant
Licence No. 375

Rabi Al Thani 1436H
February 2015
Jeddah, Kingdom of Saudi Arabia

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 SR'000	2013 SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	1,407,665	232,267
Murabaha deposits	5	1,213,027	956,230
FVIS investments	6	189,968	186,107
Premiums receivable - net	7	598,687	410,095
Prepayments and other assets	8	47,431	27,892
Reinsurer's share of unearned premiums	14	39,733	43,011
Reinsurer's share of outstanding claims	15	13,432	13,708
Deferred policy acquisition costs	9	56,601	46,678
Total insurance operations' assets		3,566,544	1,915,988
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	462,569	101,260
Murabaha deposits	5	44,730	126,993
FVIS investments	6	454,578	446,338
Other receivable	8	1,746	1,319
Furniture, fittings and equipment	10	60,667	43,059
Goodwill	3	98,000	98,000
Statutory deposit	11	40,000	40,000
Total shareholders' assets		1,162,290	856,969
TOTAL ASSETS		4,728,834	2,772,957

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2014

	Notes	2014 SR'000	2013 SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	14	2,383,358	1,323,069
Outstanding claims	15	812,530	450,096
Reinsurance balances payable	13	3,253	505
		3,199,141	1,773,670
Accrued expenses and other liabilities	16	263,468	79,113
Obligation under Long-Term Incentive Plan (LTIP)	20	22,754	14,751
Total insurance operations' liabilities		3,485,363	1,867,534
Policyholders' share of surplus from insurance operations		81,181	48,454
Total insurance operations' liabilities and surplus		3,566,544	1,915,988
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	16	42,398	31,419
Accrued zakat and income tax	18	23,903	35,000
Amount due to related parties	12	44,490	59,490
Total shareholders' liabilities		110,791	125,909
Shareholders' equity			
Share capital	19	400,000	400,000
Shares held under employees' share scheme	20	-	(7,052)
Statutory reserve	21	148,746	88,491
Retained earnings		502,753	249,621
Total shareholders' equity		1,051,499	731,060
Total shareholders' liabilities and equity		1,162,290	856,969
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		4,728,834	2,772,957

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2014

	Notes	2014 SR'000	2013 SR'000
REVENUE			
Gross written premiums		5,740,449	3,177,480
Premiums ceded		(81,807)	(79,633)
Net written premiums		5,658,642	3,097,847
Movement in net unearned premiums	14	(1,063,567)	(493,389)
Net earned premiums		4,595,075	2,604,458
CLAIMS			
Gross claims paid		3,289,128	2,074,049
Claims recovered		(2,833)	(2,574)
Net claims paid		3,286,295	2,071,475
Movement in net outstanding claims	15	362,710	22,879
Net claims incurred		3,649,005	2,094,354
Net underwriting result		946,070	510,104
Investment and commission income		18,844	15,485
Other income	24	12,635	317
EXPENSES			
Selling and marketing	22	(360,737)	(209,845)
General and administration	23	(289,543)	(170,875)
SURPLUS FROM INSURANCE OPERATIONS		327,269	145,186
Shareholders' share of surplus from insurance operations	2(b)	(294,542)	(130,667)
Policyholders' share of surplus from insurance operations	2(b)	32,727	14,519
Policyholders' share of accumulated surplus from insurance operations at beginning of the year		48,454	33,935
Policyholders' share of accumulated surplus from insurance operations at end of the year		81,181	48,454

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2014

	Notes	2014 SR'000	2013 SR'000
REVENUE			
Shareholders' share of surplus from insurance operations	2(b)	294,542	130,667
EXPENSES			
General and administration	23	(4,071)	(3,374)
		290,471	127,293
Investment and commission income		10,804	19,989
Other income		-	52
Net income for the year		301,275	147,334
Weighted average number of ordinary shares outstanding (in thousands)		39,796	39,741
Basic and diluted income per share (in Saudi Arabian Riyals)	31	7.57	3.71

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 SR'000	2013 SR'000
Net income for the year		301,275	147,334
Items that will not be reclassified to statement of shareholders' operations			
Other comprehensive income / (expense)			
Provision for zakat	18	(10,419)	(6,083)
Reversal of prior year zakat provision during the year	18	26,323	-
Provision for income tax	18	(17,550)	(8,347)
Income tax recovered from non-Saudi shareholders during the year	28	6,182	6,012
Total comprehensive income for the year		305,811	138,916

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	Notes	Share capital	Shares held under employees' share scheme	Statutory reserve	Retained earnings	Total
		SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2013		400,000	(4,988)	59,024	180,172	634,208
Net income for the year		-	-	-	147,334	147,334
Other comprehensive income / (expense)						
Provision for zakat	18	-	-	-	(6,083)	(6,083)
Reversal of prior year zakat provision during the year	18	-	-	-	(8,347)	(8,347)
Provision for income tax	21	-	-	29,467	(29,467)	-
Tax recovered from non-Saudi shareholders	27	-	-	-	(40,000)	(40,000)
Total comprehensive income for the year						
Transfer to statutory reserve						
Dividend						
Purchase of additional shares held under LTIP						
Sale of shares held under LTIP	2(e)	-	-	-	6,012	6,012
Gain on sale of shares held under LTIP	20	-	(2,064)	-	-	(2,064)
Balance at 31 December 2014		400,000	(7,052)	88,491	249,621	731,060

	Notes	Share capital	Shares held under employees' share scheme	Statutory reserve	Retained earnings	Total
		SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2012		400,000	(4,988)	59,024	180,172	634,208
Net income for the year		-	-	-	147,334	147,334
Other comprehensive income / (expense)						
Provision for zakat	18	-	-	-	(6,083)	(6,083)
Provision for income tax	18	-	-	-	(8,347)	(8,347)
Tax recovered from non-Saudi shareholders	28	-	-	-	6,012	6,012
Total comprehensive income for the year		-	-	-	138,916	138,916
Transfer to statutory reserve	21	-	-	29,467	(29,467)	-
Dividend	28	-	-	-	(40,000)	(40,000)
Purchase of additional shares held under LTIP	20	-	(2,064)	-	-	(2,064)
Balance at 31 December 2013		400,000	(7,052)	88,491	249,621	731,060

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 SR'000	2013 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the year		32,727	14,519
Adjustments for:			
Depreciation	23	12,216	12,863
Allowance for doubtful premiums receivable - net	7	25,308	8,002
Realised gain on disposal of FVIS investments	6	(1,979)	(373)
Unrealised gain on FVIS investments	6	(3,860)	(4,394)
Reinsurer's share of unearned premiums	14	3,278	(43,011)
Reinsurer's share of outstanding claims	15	276	(13,708)
Deferred policy acquisition costs		(9,923)	(9,665)
Net movement in unearned premiums	14	1,060,289	536,400
Outstanding claims	15	362,434	36,587
		1,480,766	537,220
Changes in assets and liabilities:			
Premiums receivable		(213,900)	(182,838)
Prepayments and other assets		(19,539)	(18,584)
Reinsurance balances payable		2,748	62
Accrued expenses and other liabilities		184,355	15,494
Obligation under LTIP		8,003	6,652
Due from shareholders' operations		(12,216)	(83,722)
Net cash from operating activities		1,430,217	274,284
INVESTING ACTIVITIES			
Purchase of FVIS investments	6	(1,013,262)	(249,490)
Disposal of FVIS investments	6	1,015,240	226,830
Murabaha deposits, net	5	(256,797)	(223,890)
Net cash used in investing activities		(254,819)	(246,550)
Increase in cash and cash equivalents		1,175,398	27,734
Cash and cash equivalents at beginning of the year		232,267	204,533
Cash and cash equivalents at end of the year	4	1,407,665	232,267

The accompanying notes 1 to 34 form part of these financial statements..

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 SR'000	2013 SR'000
OPERATING ACTIVITIES			
Net income for the year		147,334	134,406
OPERATING ACTIVITIES			
Net income for the year		301,275	147,334
Adjustment for:			
Realised gain on disposal of FVIS investments	6	(168)	-
Unrealised gain on FVIS investments	6	(8,240)	(20,039)
		292,867	127,295
Changes in assets and liabilities:			
Other receivable		(427)	(584)
Accrued expenses and other liabilities		10,979	4,887
Amount due to related parties		(15,000)	55,449
Due to insurance operations		12,216	83,722
		300,635	270,769
Zakat and income tax paid	18	(12,743)	(9,736)
Net cash from operating activities		287,892	261,033
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(29,824)	(7,004)
Murabaha deposits, net		82,263	(126,993)
Purchase of FVIS investments	6	(127,676)	-
Disposal of FVIS investments	6	127,844	-
Amount paid to a related party in respect of goodwill	3	-	(3,355)
Purchase of shares held under LTIP	20	(3,761)	(2,064)
Disposal of shares held under LTIP	20	38,389	-
Net cash from / (used in) investing activities		87,235	(139,416)
FINANCING ACTIVITIES			
Dividends paid	28	(20,000)	(40,000)
Tax recovered from non-Saudi shareholders	28	6,182	6,012
Net cash used in financing activities		(13,818)	(33,988)
Increase in cash and cash equivalents		361,309	87,629
Cash and cash equivalents at beginning of the year		101,260	13,631
Cash and cash equivalents at end of the year	4	462,569	101,260
Non-cash information			
Zakat and income tax charged to comprehensive income		1,646	14,430

The accompanying notes 1 to 34 form part of these financial statements..

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

Al-Rawdah Street,
Al-Khaledeyah District,
P.O. Box 23807,
Jeddah 21436,
Kingdom of Saudi Arabia.

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

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

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428 H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428 H (corresponding to 10 September 2007). The Company is 73.75% owned by Saudi founding shareholders and the general public and 26.25% owned by non-Saudi founding 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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. STATEMENT OF COMPLIANCE

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

b. BASIS OF PREPARATION

These financial statements are prepared under the historical cost convention except for the measurement of FVIS investments at fair value. The Company presents its statements of financial position broadly in order of liquidity. All financial assets and liabilities except for statutory deposit, are expected to be recovered and settled respectively within twelve months after the reporting date.

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

As per the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

c. FUNCTIONAL AND PRESENTATION CURRENCY

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2013. The new standards, amendments to standards and interpretation which are effective for annual periods beginning after 1 January 2014 have not had a significant effect on the financial statements of the Company. The significant accounting policies used in preparing these financial statements are set out below:

Financial instruments – initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

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

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

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

Cash and cash equivalents

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

Murabaha deposits

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

Investments

Investments are classified as Fair Value through Income statement (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at fair value, being the value of consideration given. Subsequently, such investments are re-measured at fair value, with all changes in fair value being recorded in the statement of insurance operations and accumulated surplus or statement of shareholders' operations.

Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Bad debts are written off as incurred.

Policy acquisition costs

Commission paid to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts as premiums are earned.

Goodwill

Goodwill is initially measured at cost being the excess of the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Furniture, fittings and equipment

Furniture, fittings and equipment are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Years
Furniture, fittings and office equipment	3 to 5
Computer applications	4 to 7
Motor vehicles	4

Residual values, useful lives and the method of depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the year is recognised in the statement of insurance operations and accumulated surplus on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations and accumulated surplus.

Expenditure for repairs and maintenance is charged to the statement of insurance operations and accumulated surplus. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Liability adequacy test

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

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

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits

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

Obligation under the Long-Term Incentive Plan (LTIP)

The Company accounts for LTIP as cash settled share based payment scheme, as the final benefit at the vesting date may or may not be in the form of Company shares, or equivalent market value, depending on the annual election made by the employees who are members of the LTIP.

Annually the obligation under the LTIP is reassessed, to account for the maximum obligation of the Company based on the annual election made by the employees on the LTIP, up to the reporting date. The LTIP balance is presented in the statement of financial position.

Should, in the last annual election, some, or all, of the employees on the LTIP do not opt for the purchase of shares, then the liability reserve under the LTIP is based on a fixed percentage of the relevant employees' salaries and commission thereon and is accrued uniformly over the vesting period.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Should, in the last annual election, some, or all, of the employees on the LTIP opt for the purchase of shares, such shares are purchased by a custodian, on the instruction of the Company, and the liability at the reporting date is calculated based on the fair value of those shares at the reporting date, to the extent that the vesting condition have been met by the employees on the LTIP.

Certain of the Company's own shares are held by a custodian under the terms of the employees' LTIP. Such shares may or may not vest to the employees at the vesting date. The values of the shares held by the custodian are accounted for at cost and are deducted from the equity of the Company. Any consideration paid or received, on the purchase, sale, or issue of the Company's own equity instruments is recognized directly in equity. No gain or loss is recognized in the statement of shareholders' operations on the purchase, sale or issue of own equity instruments.

Impairment of financial assets

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

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

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

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

For assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill, if any, are not reversed in future periods.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Derecognition

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition (continued)

Financial liability

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

Revenue recognition

Premiums earned

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

Investment and commission income

Investment income or loss comprises of unrealised and realised gains and losses on investments. Commission income on Mura-baha deposits is recognised using the effective yield method.

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

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

Claims

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

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

Reinsurance contracts held

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Expenses

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

Segmental reporting

A segment is a distinguishable component of the Company portfolio that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments.

Leases

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

Foreign currencies

The accounting records of the Company are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date. All differences are taken to either the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company. No offsetting has been made in these financial statements.

Cash dividend to shareholders

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

Zakat and income tax

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

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

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

e. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Provision for outstanding claims

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

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.

Deferred acquisition costs

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

Useful lives of furniture, fittings and equipment

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

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.

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.

The Company has adopted the following amendments and revisions to existing standards, where applicable, which were issued by the International Accounting Standards Board (IASB):

Standard	Description
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IFRS 7 and IAS 34	Annual Improvements to IFRSs 2012 - 2014 Cycle
IFRIC 21	Levies

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

g. NEW IFRS AND AMENDMENTS THEREOF, ISSUED BUT NOT YET EFFECTIVE

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

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Inventor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 19	Amendments to IAS 19 Employee or Third party Contributions to Defined Benefit Plans	1 July 2014
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016
IFRS 5, IFRS 7, IAS 19 and IAS 34	Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016

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

3. AMOUNT DUE TO A RELATED PARTY IN RESPECT OF GOODWILL

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

As per the terms of the agreement with the Seller, the Seller was also eligible for additional goodwill consideration of SR 3.4 million. During 2013, the Company received SAMA's letter, number 341000017461, approving the settlement of the final goodwill consideration of SR 3.4 million and accordingly settled the amount with the Seller.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	2014 SR'000	2013 SR'000
Insurance Operations		
Insurance Operations		
Cash in banks (see note 6 (a))	1,407,665	232,267

Shareholders' Operations

Cash in banks (see note 6 (a))	462,569	101,260
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5. MURABAHA DEPOSITS

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

The movements in the murabaha deposits during the year ended 31 December 2014 and 31 December 2013 are as follows:

	2014 SR'000	2013 SR'000
Insurance Operations		
Balance at beginning of the year	956,230	1,082,935
Matured during the year	(1,795,361)	-
Placed during the year	2,052,158	-
Transferred to shareholders' operations (see note 6(a))	-	(126,705)
Balance at end of the year	1,213,027	956,230

	2014 SR'000	2013 SR'000
Shareholders' Operations		
Balance at beginning of the year	126,993	-
Matured during the year	(416,177)	(126,705)
Placed during the year	333,914	126,993
Transferred from insurance operations (see note 6(a))	-	126,705
Balance at end of the year	44,730	126,993

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

6. FVIS INVESTMENTS

The carrying amount of the investments, classified as fair value through statement of income (FVIS), was as follows:

	2014 SR'000	2013 SR'000
Insurance operations	189,968	186,107
Shareholders' operations	454,578	446,338
	644,546	632,445

The above investments primarily represent units of investments in a discretionary portfolio, denominated in Saudi Arabian Riyals.

The movements in the investments, during the years ended 31 December 2014 and 31 December 2013, were as follows:

Insurance operations	2014 SR'000	2013 SR'000
Balance at beginning of the year	186,107	87,821
Purchased during the year	1,013,262	249,490
Disposed during the year	(1,015,240)	(226,830)
Transferred from shareholders' operations (see note (a) below)	-	70,859
Realised gain during the year	1,979	373
Unrealised gain during the year	3,860	4,394
Balance at end of the year	189,968	186,107

Shareholders' operations	2014 SR'000	2013 SR'000
Balance at beginning of the year	446,338	497,158
Purchased during the year	127,676	-
Disposed during the year	(127,844)	-
Transferred to insurance operations (see note (a) below)	-	(70,859)
Realised gain during the year	168	-
Unrealised gain during the year	8,240	20,039
Balance at end of the year	454,578	446,338

- a) Amount payable to/receivable from shareholders' operations are settled by transfer of cash, murabaha deposits or FVIS investments, as the case may be, of an equivalent amount representing fair value between the operations at each reporting date. At 31 December 2014, the insurance' operations transferred cash of SR 276.9 million to the shareholders' operations (31 December 2013: the shareholders' operations transferred FVIS investments of SR 70.9 million to insurance operations and insurance operations transferred murabaha deposits of SR 126.7 million and cash of SR 73.8 million to the shareholders' operations).

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

7. PREMIUMS RECEIVABLE - NET

	2014 SR'000	2013 SR'000
<i>Insurances' operations</i>		
Gross premiums receivable	676,545	462,645
Allowance for doubtful premiums receivable	(77,858)	(52,550)
Premiums receivable - net	598,687	410,095

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

	2014 SR'000	2013 SR'000
Balance at beginning of the year	52,550	44,548
Provision made during the year (note 22)	25,626	8,789
Utilised during the year	(318)	(787)
Balance at end of the year	77,858	52,550

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

	Past due but not impaired				Total
	Neither past due nor impaired	Above three and up to six months	Above six and up to twelve months	Above twelve months	
	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2014	354,341	197,831	36,224	10,291	598,687
31 December 2013	252,943	119,006	31,084	7,062	410,095

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

In respect of premiums receivable, 5 major customers accounted for 18.2% (2013: 11.5%) of this balance as at 31 December 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

8. PREPAYMENTS AND OTHER ASSETS

	2014 SR'000	2013 SR'000
Insurance Operations		
Prepayments	30,805	19,965
Accrued income	15,421	2,212
Other receivables	1,205	5,715
	47,431	27,892
Shareholders' Operations		
Other receivables	1,746	1,319

9. DEFERRED POLICY ACQUISITION COSTS

	2014 SR'000	2013 SR'000
Balance at beginning of the year	46,678	30,382
Expenses incurred	172,282	127,901
Amortisation for the year	(162,359)	(111,605)
Balance at end of the year	56,601	46,678

10. FURNITURE, FITTINGS AND EQUIPMENT

	Furniture, fittings and office equipment SR'000	Computer applications SR'000	Motor vehicles SR'000	Capital work in progress	Total SR'000
Shareholders' Operations					
Cost:					
At 1 January 2013	49,367	69,207	212	-	118,786
Additions during the year	2,404	4,600	-	-	7,004
Write-off	-	(11,048)	-	-	(11,048)
At 1 January 2014	51,771	62,759	212	-	114,742
Additions during the year	15,694	5,991	-	8,139	29,824
Transfers	(4,241)	4,241	-	-	-
At 31 December 2014	63,224	72,991	212	8,139	144,566
Accumulated depreciation:					
At 1 January 2013	20,315	49,521	32	-	69,868
Charge for the year (see note (a) below)	4,344	8,466	53	-	12,863
Relating to write-off	-	(11,048)	-	-	(11,048)
At 1 January 2014	24,659	46,939	85	-	71,683
Charge for the year (see note (a) below)	4,155	8,008	53	-	12,216
Transfers	(2,442)	2,442	-	-	-
At 31 December 2014	26,372	57,389	138	-	83,899
Net book value:					
At 31 December 2014	36,852	15,602	74	8,139	60,667
At 31 December 2013	27,112	15,820	127	-	43,059

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

11. STATUTORY DEPOSIT

	2014 SR'000	2013 SR'000
Shareholders' Operations		
Statutory deposit	40,000	40,000

As required by Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 40 million in a bank designated by SAMA. Commission accruing on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

12. TRANSACTIONS WITH RELATED PARTIES

In addition to transactions disclosed in notes 3, 6 and 25, following are the details of related party transactions during the year and the related balance at the end of the year:

Related party	Nature of transaction	2014 SR'000	2013 SR'000
Insurance Operations			
Shareholders	Premiums written	30,528	46,045
Shareholders	Premiums ceded (see note (a) below)	74,858	76,661
Shareholders	Claims paid	7,085	25,180
Shareholders	Medical cost charged by a providers (see note (b) below)	609	182,227
Shareholders	Public relations services (see note (c) below)	168	211
Shareholders	Expenses recharged to a related party (see note (d) below)	2,517	-
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note 17)	11,505	9,714
Board Member (Related party)	Shariah review services (see note (e) below)	150	150
Shareholders' Operations			
Bupa Middle East Limited E.C. (Related party)	Payment in respect of goodwill consideration (note 3)	-	3,355

- 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. The reinsurer's share of unearned premiums and outstanding claims are disclosed in the statement of financial position.
- b) These related parties are the 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 medical costs of all its contracts, to these provider related parties, in accordance with the contractual terms of agreement. During 2014, the one of the related parties sold its holding in the Company and therefore is not a related party as of 31 December 2014. The estimated payable to the related parties, for medical cost payments as of 31 December 2014, amounted to SR 281 thousand (2013: SR 29,420 thousand)
- c) One of the shareholder's owns forty-five percent stake holding in TRACCS, a public relations company, which provided public relations services to the company.
- d) Certain employees of the Company, during the year ended 31 December 2014, worked on a project owned by one of the shareholders of the Company. As a result, the related costs of these employees, for the year worked on the project, were recharged to the related party amounting to SR 2.5 million which was settled during the year.
- e) One of the Board members owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia for the provision of Shariah review services.
- f) Amount due to related parties are disclosed in the statement of financial position. There are no premium receivables as at 31 December 2014 and 2013

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

13. REINSURANCE BALANCES PAYABLE

Reinsurance payable represents amounts payable to three reinsurers (2013: two), based in France and Germany, for the excess of loss (XOL) reinsurance contract

14. MOVEMENT IN NET UNEARNED PREMIUMS

	2014 SR'000	2013 SR'000
Insurance Operations		
Unearned premiums at the end of the year	(2,383,358)	(1,323,069)
Unearned premiums at the beginning of the year	1,323,069	786,669
	(1,060,289)	(536,400)
Reinsurer's share of unearned premium at the end of the year	39,733	43,011
Reinsurer's share of unearned premium at the beginning of the year	(43,011)	-
	(3,278)	43,011
Movement in net unearned premiums	(1,063,567)	(493,389)

15. MOVEMENT IN NET OUTSTANDING CLAIMS

	2014 SR'000	2013 SR'000
Insurance Operations		
Outstanding claims at the end of the year	812,530	450,096
Outstanding claims at the beginning of the year	(450,096)	(413,509)
	362,434	36,587
Reinsurer's share of outstanding claims at the end of the year	(13,432)	(13,708)
Reinsurer's share of outstanding claims at the beginning of the year	13,708	-
	276	(13,708)
Movement in net outstanding claims	362,710	22,879

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	2014 SR'000	2013 SR'000
Insurance Operations		
Accrued expenses	128,977	67,104
Advances from policyholders	109,648	-
Other liabilities	24,843	12,009
	263,468	79,113
Shareholders' Operations		
Accrued expenses	2,272	2,203
Employees' end of service benefits (see note (a) below)	40,126	29,216
	42,398	31,419

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

	2014 SR'000	2013 SR'000
Balance at beginning of the year	29,216	24,094
Charged during the year	11,841	8,162
Paid during the year	(931)	(3,040)
Balance at end of the year	40,126	29,216

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

17. TRADE MARK FEE

During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. Accordingly, a sum of SR 11.5 million (2013: SR 9.7 million) payable to a related party has been accrued for in these financial statements (see note 22).

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

18. ZAKAT AND INCOME TAX

a) Zakat

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

Charge for the year

The Zakat charge relating to the Saudi shareholders consists of:

	2014 SR'000	2013 SR'000
Provision for the year	6,767	3,160
Adjustment for the previous year	3,652	2,923
Charge for the year	10,419	6,083

The Zakat provision for the year is based on the following:

	2014 SR'000	2013 SR'000
Equity	544,358	599,196
Opening allowances and other adjustments	96,037	102,577
Book value of long-term assets	(1,540,767)	(770,662)
	(900,372)	(68,889)
Adjusted income for the year (see note below)	367,013	171,365
Zakat base	367,013	171,365
Attributable to Saudi founding shareholders and the general public @ 73.75%	270,672	126,382

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

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

	2014 SR'000	2014 SR'000
Balance at beginning of the year	31,324	27,376
Charge for the year	10,419	6,083
Reversal of prior years' provisions during the year	(26,323)	-
Payment made during the year	(2,891)	(2,135)
Balance at end of the year	12,529	31,324

b) Income tax

Charge for the year

The income tax charge relating to the non-Saudi shareholders consists of:

	2014 SR'000	2013 SR'000
Provision for the year	17,550	8,235
Adjustment for the previous year	-	112
Charge for the year	17,550	8,347

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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

	2014 SR'000	2013 SR'000
Balance at beginning of the year	3,676	2,930
Charge for the year	17,550	8,347
Payment made during the year	(9,852)	(7,601)
Balance at end of the year	11,374	3,676

c) Accrued zakat and income tax

	2014 SR'000	2013 SR'000
Zakat payable (note (a) above)	12,529	31,324
Income tax payable (note (b) above)	11,374	3,676
	23,903	35,000

d) Status of assessments

During 2012, the Department of Zakat and Income Tax ("DZIT") raised revised assessments for the fiscal periods 2008 through 2010 demanding additional income tax, zakat and withholding tax of SR 8.8 million as well as delay fine for each 30 days delay in payment of assessed additional taxes. During 2012, 2013 and 2014, the DZIT issued initial assessments for the years 2011, 2012 and 2013 with additional zakat assessments of SR 7.5 million, SR 11.5 million and SR 12.4 million respectively. The Company has filed an appeal against these additional assessments and the final conclusions are awaited.

During 2014, the Company reversed zakat provision relating to prior years amounting to Saudi Riyal 26.3 million as management believes that such provisions are no longer required and no further amounts are expected to be paid for those years to the DZIT

19. SHARE CAPITAL

The share capital of the Company is SR 400 million divided into 40 million shares of SR 10 each (2013: 40 million shares of SR 10 each) and subscribed by the following:

	Percentage holding	2014 SR'000	Percentage holding	2013 SR'000
Founding shareholders	60%	240,000	60%	240,000
General public	40%	160,000	40%	160,000
	100%	400,000	100%	400,000

20 LONG-TERM INCENTIVE PLAN (LTIP)

During 2010, the Company introduced a LTIP, for its senior executives, which is designed to reward them for their role in the achievement of the Company's long-term objectives and three year plan targets. The vesting conditions include minimum service period, annual performance ratings up to a certain specified level, and achievements of the specified profit targets of the Company for the three year period.

Under the terms of the LTIP, a reserve, representing a fixed percentage of entitled employees' salaries and accumulated commission thereon, is required to be maintained by the Company annually, over the three year period.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

The employees in the LTIP have an annual option to request the Company to request the custodian to purchase the Company's own shares from the accumulated balance in the reserve. The purchase of such shares is funded by the Company by realising the accumulated balance in the reserve, and the shares are purchased by the custodian appointed by the Company for this purpose. After the date of purchase, the employees under the LTIP carry the market price risk associated with those shares, and their entitlement under the plan would not be higher than the fair market value of those shares if the employees opt to continue to keep the shares until the vesting date.

In the subsequent years of the LTIP, the relevant employees can again opt (annually) to convert these shares back into cash at the fair market value of those shares at that date. The cash thus realized will be credited to the employees' LTIP reserve, which will then be built up with a fixed percentage of the employees' salaries and commission thereon as per the terms of the LTIP for the remaining vesting period. Such reserve can again be converted into shares depending upon whether the employees still have an annual option remaining with them before the vesting date.

Depending on the election made by the employees, they are entitled to get any one of the following benefits at the end of the vesting period:

- cash amount equivalent to amount accumulated in the reserve based on fixed percentage of salaries and accumulated commission thereon, or
- a specified number of shares, purchased by the custodian and held, per the employees' instructions, until the vesting date, or
- cash amount equivalent to the fair market value (as at the vesting date) of the shares held by the custodian, on behalf of the Company for the employees, as per the employees' instructions up to the vesting date.

The movements in the shares purchased under the LTIP, per the election decisions of the entitled employees, are as follows:

	2014		2013	
	Number of shares	Amount SR'000	Number of shares	Amount SR'000
Opening balance	280,318	7,052	212,161	4,988
Purchased during the year (see note a)	48,560	3,761	68,157	2,064
Sold during the year	(328,878)	(10,813)	-	-
Closing balance	-	-	280,318	7,052
Market value per share as at 31 December 2014		168.91		42.30

- a) During 2014, after obtaining the related internal approvals, and regulatory clarification, the Company, prior to 1 December 2014, disposed of all remaining shares held under the LTIP scheme and recorded the obligation under the LTIP scheme equivalent to the current year annual LTIP cash entitlement, as at 31 December 2014, as per the proceeds of the associated shares liquidated. These LTIP obligations will be settled on completion of the required internal approvals, during early 2015, in terms of the rules per the original LTIP scheme.

As a result, during the period, the original LTIP scheme terminates and the Company is currently in the process of launching a new enhanced LTIP scheme, which it intends will be starting effective 1 January 2015, subject to obtaining all relevant internal approvals followed thereafter by the required external regulatory approvals.

Profit on the disposal of LTIP shares of SR 27.6 million (sale proceeds of SR 38.4 million) has been credited directly to the retained earnings. As at 31 December 2014 the number of LTIP shares held is nil (2013: 280,318 shares) due to the current year shares disposal associated with the existing LTIP scheme termination

21. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders' income shall be set aside from net income as a statutory reserve until this reserve amounts to one hundred percent of the paid up share capital. Accordingly, during the year, the Company has transferred SR 60.26 million (2013: SR 29.47 million) to the statutory reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

22. SELLING AND MARKETING EXPENSES

	2014 SR'000	2013 SR'000
Insurance Operations		
Employee costs	74,621	54,694
Marketing expenses	18,687	17,220
Fulfilment costs	11,098	7,601
Commission expenses	118,489	53,843
Statutory levies	86,107	47,662
Trade mark fee (see note 17)	11,505	9,714
Allowance for doubtful premiums receivable (note 7)	25,626	8,789
Others	14,604	10,322
	360,737	209,845

23. GENERAL AND ADMINISTRATION EXPENSES

	2014 SR'000	2013 SR'000
Insurance Operations		
Employee costs	211,018	122,191
Repairs and maintenance costs	19,021	12,950
Travelling expenses	11,629	4,214
Depreciation (see note 10 (a))	12,216	12,863
Communication expenses	4,053	5,598
Others	31,606	13,059
	289,543	170,875
Shareholders' Operations		
Legal and professional fees	-	1,524
Board expenses (see note 26)	1,361	937
Corporate Social Responsibility expenses	1,488	614
Others	1,222	299
	4,071	3,374

24. OTHER INCOME

Other income includes an amount of SR 12.6 million (2013: SR Nil) related to health consultancy support

25. INFORMATION RELATING TO KEY MANAGEMENT PERSONNEL

	2014 SR'000	2013 SR'000
Compensation to key management personnel:		
Short-term benefits	15,693	9,166
Long-term benefits	7,309	3,195
	23,002	12,361

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

26. BOARD OF DIRECTORS' REMUNERATION AND RELATED EXPENSES

	2014 SR'000	2014 SR'000
Board of Directors' remuneration	1,020	591
Board attendance fees	96	96
Other board and sub-committees expenses	245	250
	1,361	937

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

27. SEGMENT INFORMATION

The Company only issues short-term insurance contracts for providing health care services ('medical insurance'). All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent large corporate, and all other customers are considered as non-major.

Operating segments 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 balances payable, accrued expenses and other liabilities, obligations under LTIP and policyholders' share of surplus from insurance operations.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

	For the year ended 31 December 2013		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	1,674,162	1,503,318	3,177,480
Premiums ceded	(78,025)	(1,608)	(79,633)
Net written premiums	1,596,137	1,501,710	3,097,847
Movement in net unearned premiums	(173,767)	(319,622)	(493,389)
Net earned premiums	1,422,370	1,182,088	2,604,458
Gross claims paid	1,108,396	965,653	2,074,049
Claims recovered	(1,515)	(1,059)	(2,574)
Net claims paid	1,106,881	964,594	2,071,475
Movement in net outstanding claims	12,012	10,867	22,879
Net claims incurred	1,118,893	975,461	2,094,354
Net underwriting result	303,477	206,627	510,104
Unallocated income			15,802
Unallocated expenses			(380,720)
Surplus from insurance operations			145,186

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

	As at 31 December 2013		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – net	240,554	169,541	410,095
Reinsurer's share of unearned premium	43,011	-	43,011
Reinsurer's share of outstanding claims	13,708	-	13,708
Deferred policy acquisition costs	29,448	17,230	46,678
Unallocated assets	-	-	1,402,496
Total			1,915,988
Insurance operations' liabilities and surplus			
Unearned premiums	717,236	605,833	1,323,069
Outstanding claims	236,300	213,796	450,096
Unallocated liabilities and surplus	-	-	142,823
Total			1,915,988

28. DIVIDENDS

On 7 May 2014, the Company's board of directors proposed to pay a dividend, for the year ended 31 December 2013, of SR 0.5 per share totalling SR 20 million (2013: SR 40 million) to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 5 June 2014 (Corresponding to 7 Shaban 1435H). Accordingly, the dividend payment was made on 25 June 2014.

The Saudi shareholders were paid their dividend in full. As a result of the level of dividend and zakat and income tax equalisation, the non-Saudi shareholders paid to the Company an amount of SR 6.18 million.

29 COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments:

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

	2014 SR'000	2013 SR'000
Within one year	10,611	10,611
After one year but no more than five years	42,446	42,446
More than five years	17,220	27,831
	70,277	80,888

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

- b) As at 31 December 2014, performance guarantees amounting to SR 23.4 million (2013: SR 13.7 million) were issued to the customers on behalf of the Company. The Company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees.

30. RISK MANAGEMENT

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

Risk management structure

Board of Directors

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

Audit committee

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

Internal audit

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

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

Insurance risk

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

Geographical concentration of risks

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

Frequency and amounts of claims

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

Independent actuarial review of claims and claims reserves

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

Key assumptions

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

Sensitivities

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

Ultimate loss ratio – Insurance Operations	Change in assumptions	Impact on net liabilities	Impact on insurance operations and accumulated surplus
2014	± 5%	229,754	229,754
2013	± 5%	130,223	130,223

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is effected under treaty and excess-of-loss (XOL) reinsurance contracts. The Company has reinsured one of its major customer's business with a related party and recoveries are made as per the treaty agreement. In addition, for any claim above SR 200 thousand and contingent on the policyholders' plan limit, the XOL reinsurance covers losses per claim between SR 200 thousand and SR 500 thousand. All other claims are borne and paid by the Company. In compliance with SAMA guidelines on reinsurance, all reinsurance companies are minimally rated A by international rating agencies.

The credit risk exposure in respect of reinsurers' share of outstanding claims is SR 13.43 million (2013: SR 13.71 million) (see note 15) and in respect of reinsurance balances receivable is SR 10 thousand (2013: SR 596 thousand).

Regulatory framework risk

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

Capital management (solvency) risk

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

The Company manages its capital requirements by assessing the risk of shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust any possible amount of dividends paid to shareholders or raise new capital through the Saudi stock market.

As required by Saudi Arabian Insurance Regulations (Article 66 of the Implementation Regulations issued by SAMA), the Company is required to maintain a minimum solvency margin equivalent to the highest of: minimum capital requirement, premium solvency margin or claims solvency margin. As at 31 December 2014, the Company's solvency level is less than the minimum solvency margin required by the Saudi Arabian Insurance Regulations. The Company has communicated to SAMA that it will achieve the solvency margin requirement in the future

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

	2014 SR'000	2013 SR'000
Minimum regulatory capital	905,383	495,655

Financial risk

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

The Company does not enter into derivative transactions.

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

Market price risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

The Insurance Operations and Shareholders' Operations are exposed to market risk with respect to their investments classified as FVIS.

A 5% change in the value of investments with all other variables held constant, would impact the Insurance Operations and Shareholders' Operations by SR 9.5 million (2013: SR 9.3 million) and SR 22.7 million (2013: SR 22.3 million) respectively.

Commission rate risk

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

The Company places deposits which are realisable within three months and more than three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia on which the Company does not earn any commission. Management limits commission rate risk by monitoring changes in commission rates in the currencies in which its deposits are denominated.

Details of maturities of the major classes of commission bearing securities as at 31 December are as follows:

Insurance Operations	2014 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	423,734	789,293	-	1,213,027

	2013 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	100,000	856,230	-	956,230

Shareholders' Operations	2014 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	44,730	-	-	44,730

	2013 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	-	126,993	-	126,993

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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

	2014	2013
Insurance operations		
Saudi Riyal denominated murabaha deposits	0.64%	0.88%
Shareholders' operations		
Saudi Riyal denominated murabaha deposits	0.28%	0.54%

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

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

	2014	2013
Insurance operations		
Saudi Riyals:		
Increase in commission rates by 100 basis points	12,130	9,562
Decrease in commission rates by 100 basis points	(12,130)	(9,562)
Shareholders' operations		
Saudi Riyals:		
Increase in commission rates by 100 basis points	447	1,270
Decrease in commission rates by 100 basis points	(447)	(1,270)

Foreign currency risk

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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

	2014 SR'000	2013 SR'000
Insurance' Operations		
Cash and cash equivalents	1,407,665	232,267
Murabaha deposits	1,213,027	956,230
FVIS investments	189,968	186,107
Premiums receivable – net	598,687	410,095
Reinsurer's share of outstanding claims	13,432	13,708
Other receivables	1,205	5,715
	3,423,984	1,804,122
Shareholders' Operations		
Cash and cash equivalents	462,569	101,260
Murabaha deposits	44,730	126,993
FVIS investments	454,578	446,338
Other receivables	1,746	1,319
Statutory deposit	40,000	40,000
	1,003,623	715,910

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

Insurance operations' financial assets

	Non-investment grade			Total
	Investment grade	Satisfactory	Past due but not impaired	
Cash and cash equivalents	1,407,665	-	-	1,407,665
Murabaha deposits	1,213,027	-	-	1,213,027
FVIS investments	189,968	-	-	189,968
Premiums receivable – net	-	354,341	244,346	598,687
Reinsurer's share of outstanding claims	13,432	-	-	13,432
Other receivables	-	1,205	-	1,205
December 31, 2014	2,824,092	355,546	244,346	3,423,984
Cash and cash equivalents	232,267	-	-	232,267
Murabaha deposits	956,230	-	-	956,230
FVIS investments	186,107	-	-	186,107
Premiums receivable - net	-	252,943	157,152	410,095
Reinsurer's share of outstanding claims	13,708	-	-	13,708
Other receivables	-	5,715	-	5,715
December 31, 2013	1,338,312	258,658	157,152	1,804,122

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

Shareholders' operations' financial assets

	Non-investment grade			Total
	Investment grade	Satisfactory	Past due but not impaired	
Cash and cash equivalents	462,569	-	-	462,569
Murabaha deposits	44,730	-	-	44,730
FVIS investments	454,578	-	-	454,578
Other receivable	-	1,746	-	1,746
Statutory deposit	40,000	-	-	40,000
December 31, 2014	1,001,877	1,746	-	1,003,623
Cash and cash equivalents	101,260	-	-	101,260
Murabaha deposits	126,993	-	-	126,993
FVIS investments	446,338	-	-	446,338
Other receivable	-	1,319	-	1,319
Statutory deposit	40,000	-	-	40,000
December 31, 2012	714,591	1,319	-	715,910

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

31. EARNINGS PER SHARE

The earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares issued and outstanding at the year end. Diluted earnings per share are not applicable to the Company.

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

The fair values of financial instruments are not materially different from their carrying values. At 31 December 2014 and 31 December 2013, apart from the investments which are carried at fair value (note 6), there were no other financial instruments held by the Company that were measured at fair value.

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

- Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 31 December 2014 and 31 December 2013, all financial instruments which are fair valued are Level 2 instruments and these are mostly valued by the fund manager. There were no transfers between levels during the years ended 31 December 2014 and 31 December 2013.

33. COMPARATIVES

In order to conform with current year presentation, following are the amounts which have been reclassified

Financial Statement Line item	From	To	Amount SR'000
Deferred policy acquisition costs	Prepayments and other assets	Deferred policy acquisition costs	14,478

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on XX February 2015, corresponding to XX Rabi Al Thani 1436 H.

Bupa Arabia Branches

Riyadh office

Tel: 920000456 Ext. 8393
Al Moraba'a District,
Al Tabri Street,
In front of Jawazat head office
in Riyadh [north side]

Medina office

Tel: 0148654297
Fax: 0148654298
Shoran District,
Ali bin abi Talib Street,
near to the new labor office

Taif office

Tel: ,0127606846 ,0127606844
0127606845 ,0127606843
Fax: 0126837889
Taif Branch,
Al Ghumriyah District,
In front of Jawazat office

Makkah

Al Hojoon Street,
in front of Jawazat gate direct

Jeddah office

Tel: 92000456 Ext. 8351
Fax: 026919591
Al Kandarrah District,
Old Airport Street,
next Passport Office

Burydiah office

Tel: 920000456 Ext: 8399
Fax: 0163249806
Buraidah 40 Street,
In front of Jawazat

Jizan Branch office

Tel: 920000456 Ext: 8961
Fax: 0173173850
Next to Jawazat branch Next,
behind Shifa Jazan Polyclinic

Abha Branch

Tel: 0551131544
Abha, Al Khashe District,
Next to Fransi Banque

Dammam office

Tel: 0547827973
Rabei District,
King Khalid Street,
in front of Dammam
Passports Office.

Al Hasa office

Tel: 0555832270
Al Ahssa, Mojamaa Al
Dawaer Al Hokomeyah

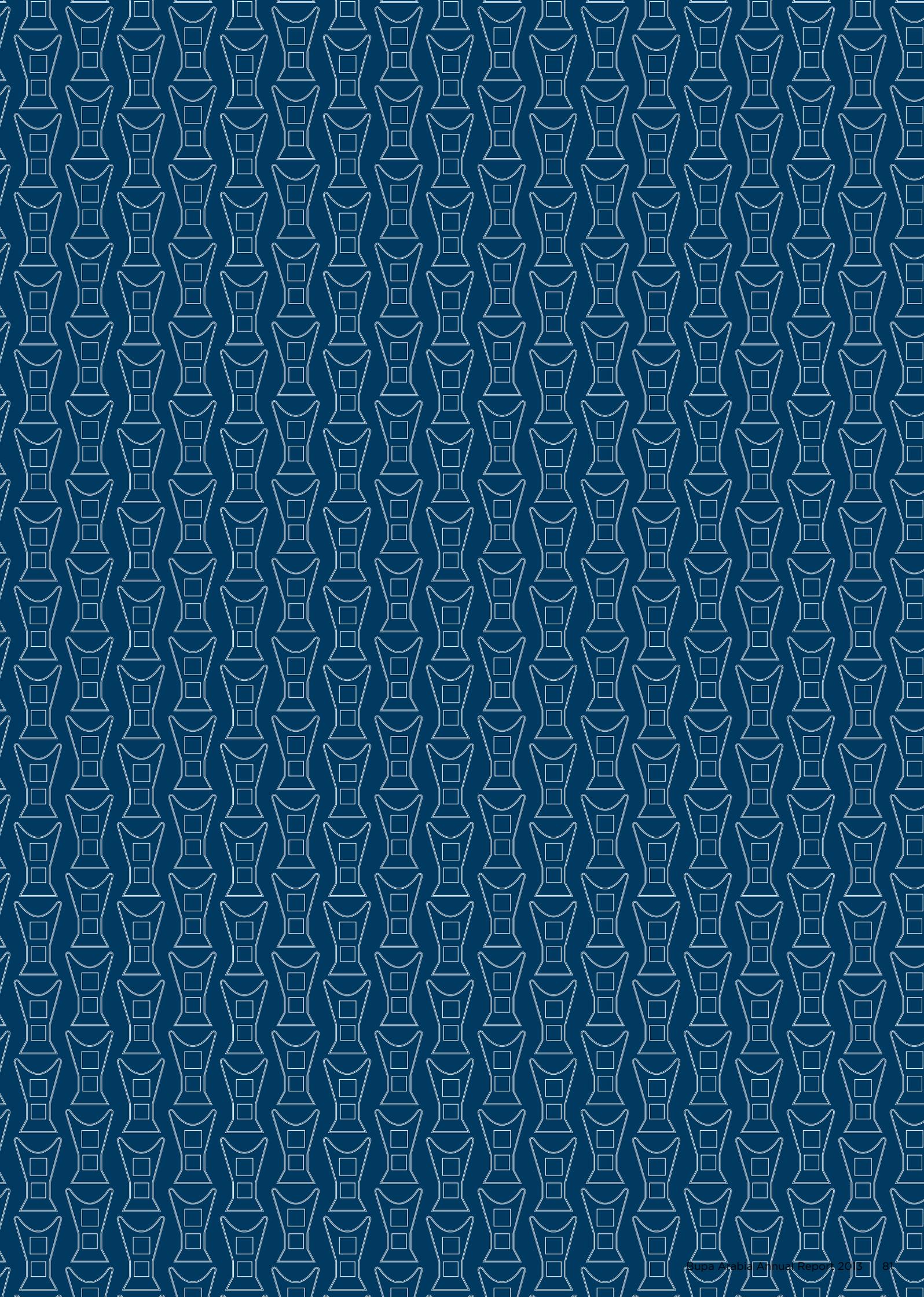
Khamis Mushait office

Tel: 0172227985
Fax: 0172227986
Side of the office,
80th Street, Nashwan District

Tabouk office

Tel: 0144238199
Fax: 01442294566
Opposite Jawazat Building,
Ali Bin Ali Taleb Street,
Al Saadah District, Tabouk





Regional Offices

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JUBAIL

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District. Chamber of
Commerce building
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