

Bupa Arabia for Cooperative Insurance Company

Board of Directors Report

for the period ended 31/12/2013:

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 2013. 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 28/02/1435 H, 31/12/2013 G, represent the fifth 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 19/09/1430 H, 09/09/2009 G, 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 07/07/1430 H, 30/06/2009 G 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 2011, on 26/07/1432 H, 28/06/2011 G, the company successfully renewed its SAMA license qualification for a further three year period to 08/08/1435 H, 06/06/2014 G.

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

During 2011, on 03/11/1432 H, 01/10/2011 G, the company successfully renewed its three year CCHI license qualification for the further three year period to 19/05/1435 H, 19/03/2014 G and during 2013, on 20/05/1434 H, 1/04/2013 G, the company successfully renewed its one-year CCHI license qualification for the further one year period from 19/05/1434 H, 31/03/2013 G (the two renewals, one for three years and one for one year, being separate requirements of the CCHI).

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

• 5.1 Strategy review – execution progress:

Despite difficult market conditions, the strong execution of the “7 Pillar” strategy (as approved by the Board in 2010) has enabled Bupa Arabia to stand out in the market by maintaining both its growth and profitability in recent years. Bupa Arabia's new strategy, its 2020 vision, is to be the greatest healthcare company in the Arab world and in order to achieve this Bupa Arabia will continue to be the best provider of health insurance care and services in Saudi Arabia. At the start of 2013 the Company set itself extraordinary targets to achieve by 2020 and all the interim milestones for 2013 were delivered or exceeded. Bupa Arabia also aspires to move the Saudi Arabian health industry to a more patient-centric, outcomes focused paradigm, for the benefit of its customers and Saudi Arabia as a whole. This will involve more creative collaboration with partners and providers as well as working with the government to tackle the most pressing healthcare needs facing the country today. Bupa Arabia will also continue to focus on reinforcing sustainable differentiation in health insurance markets whilst looking for innovative ways to help customers live longer, healthier and happier lives.

• 5.2 Corporate governance enhancements:

During 2013 Bupa Arabia increased resources in the Internal Audit Services (IAS) and Legal & Compliance departments, completed an evaluation of the “Three Lines of Defence” model and adopted an information governance framework (to ensure the protection of its corporate records, customers and employee data in a confidential and secure manner). In 2013 the updated Terms of References of each of the Board Committees was approved by the shareholders in the Ordinary General Assembly meeting. The Company will further enhance its corporate governance codes and procedures during 2014.

• 5.3 New sales outlets:

In accordance with the 2010 approval received for twenty-three new Sales outlets (per SAMA's letter numbered 51747/MT/1987 dated 05/11/1431 H, 19/04/2010 G), the Company successfully opened a further five outlets during 2012 to expand to fourteen operational outlets. However the intense pressure on prices that deepened in early 2011, and continued into 2013, has dragged the health insurance sector down and as a result Bupa Arabia scaled down its expansion plans. This led to closing two branches so far and a full reassessment of our distribution expansion plans.

• 5.4 Chief Executive Team (CET):

The only change to the CET during 2013 was the departure of the Chief Strategy Officer (CSO) and the replacement is in progress for completion during 2014.

• 5.5 Business continuity plan (BCP) and Disaster recovery (DR) developments:

The Company further embedded its Business Continuity Plans (BCP) and Disaster Recovery (DR) plans through updating its BCP, DR and Crisis Management (CM) policies and procedures, and which were thereafter approved by the Audit Committee. Bupa Arabia also further successfully tested its IT related DR capabilities. During 2014 the Company plans to expand its resource capability for BCP, DR and CM, and complete robust, end to end, process testing of various scenarios to ensure only a limited impact to operations in the event of a

disaster.

• 5.6 Corporate social responsibility (CSR):

In 2013 the Company maintained momentum on its CSR program, which has the ambition to provide all orphans resident in the Kingdom, under the umbrella of the Ministry of Social Affairs, with free quality health insurance. During 2013 the coverage was expanded from 1,125 orphans to almost 3,000 orphans in forty-six orphanages in sixteen cities.

In addition to the free health insurance cover, Bupa Arabia provided health services directly at the orphanages, through on-site visits by medical professionals, providing homecare services, check-up visits, and health education (such as oral hygiene, basic healthcare). Bupa Arabia also supported the orphanages through donation drives (clothes, food, toys).

Bupa Arabia successfully executed a Ramadan campaign promoting community wellbeing by providing an application which enables people to improve their own health by addressing some poor lifestyle habits such as smoking, nutritional imbalance and a lack of exercise. The campaign was very successful with a four week outcome touching: 62,000 people on Facebook, 11,000 people downloading the app from Apple, 7,000 followers on Twitter and 4,000 people participating in training and guidance at malls and walking venues. Bupa Arabia was awarded best CSR initiative in 2013 by the "International Finance Magazine" for this campaign.

• 5.7 Shariah compliance developments:

During 2013 Bupa Arabia continued to develop its Shariah compliance agenda and, on 24/11/2013, received the approval of its Shariyah Advisor, the Shariyah Review Bureau, 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 Shariyah 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.

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 2013, albeit at a lower rate (3.8%) than in recent history. The Saudi Arabian government's efforts to facilitate economic diversification appear to be paying off as the non-oil sector grew considerably faster than the oil sector (9% growth vs. a 4% decline), bringing further sector balance to the economy.

The health sector (along with education) remains the focus of government spending. Health and social affairs was awarded an 8 percent rise in the 2014 budget, to SR108 billion, accounting for 12.9% of total spending. New projects within this budget include construction of 34 healthcare facilities, including 11 new hospitals, 11 medical centres, and two medical complexes (in addition to the 132 facilities already in progress).

Population growth and further increases in the prevalence of lifestyle/chronic diseases will result in a positive backdrop for the health insurance market. However, despite the increase in provision capacity announced by the government, healthcare provision will continue to be highly utilised for the foreseeable future, resulting in a continuing poor consumer experience and further increases in the price of healthcare.

The price pressure in the Private Medical Insurance (PMI) market, that started two years ago, abated from the first quarter of 2013 and the companies who led the price pressure are now working to cover their claims costs by returning to price increases that are more consistent with historical norms. Capacity issues in the public

healthcare sector are increasingly leading Saudi citizens to buy PMI in order to access better facilities. Both of these factors will enable consistent growth in the PMI industry in the coming years.

• 6.2 Provider capacity and quality:

The overall supply of healthcare facilities struggles to keep pace with the population growth, a situation recognized by the Government which has introduced initiatives the past few years to encourage the private sector to meet the shortfall. Some of the major providers from the local healthcare industry are taking advantage of this and it is expected new tertiary care facilities will open in the next few years. However supply will still struggle to cope with the increasing demand.

Where there is full capacity, in any market, there is a high risk that not all care providers will be sufficiently incentivized to give excellent customer service, appropriate and high quality clinical treatment, transparency of outcomes and value for money. Price management at high-end tertiary care hospitals remains a key challenge, as does abuse and fraud at lower end primary care centres.

During 2013 the Bupa Arabia network was enhanced by the addition of 213 new providers (mostly small clinics) within Saudi Arabia and 45 new providers to our International provider network, to support the significant Bupa Arabia growth in both the Corporate and Retail sectors. There was also the closure/network removal of 70 providers, for a variety of reasons ranging from license/going concern issues to problems of fraud and abuse in some instances.

• 6.3 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 plus retain a solvent position to ensure that member liabilities are never at risk of default.

In 2013 Bupa Arabia continued to strongly underpin this objective. The Company maintained its loss ratio, for the third successive year, whilst giving full and fair coverage where due to its members, and during 2013 Bupa Arabia paid its first dividend, SR40m in the second quarter. The Company also reported a growth in post-tax/post-zakat profits, up from SR114m in 2012, to SR133m in 2013, maintaining Bupa Arabia's position as the most profitable player in the health insurance sector, and making Bupa Arabia the most profitable company in the insurance sector. This was driven by a 45% growth in written premium, 30% increase in underlying profits, and a significant improvement in investment income.

Cash/Investments grew a further SR0.5 billion, an increase of 33% versus the prior year, representing growth of almost SR1 billion over the past two years. A positive solvency position was maintained at the end of the year, post the dividend payment, despite the growth related required material increase in technical reserves, with the growth in cash/investments held mainly in admissible assets.

• 6.4 Healthcare specialist:

Bupa Arabia believes in principle that delivering for its customers requires focus, commitment and dedication to ensure a sustainable, affordable, quality delivery in alignment with changing customer needs. As the only viable single line health insurer in the Kingdom, Bupa Arabia seeks to leverage the healthcare expertise, and scale, of both Bupa globally (and its international businesses) and its local partner, the Nazer Group, in constantly improving the medical outcomes, affordability and services for its members. Bupa Arabia will continue to introduce products and services that enable its members to feel understood, informed, guided and re-assured as to the right treatment, at the right time, in the right setting, by the right specialist and at an appropriate fee for their healthcare needs.

• 6.5 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
- Overtreatment and fraudulent claims by providers
- Continuously escalating prices by providers underpinned by the imbalance of supply and demand in the market
- Regulatory delays regarding product approval, increased levies (VAT, Dahman Fund) and other
- Regulatory impact on the Company's ability to manage delinquent clients due to regulatory restrictions to Company Credit Control activities
- The risk that solvency restraints curtail growth, due to the impact of SAMA's Article 69 which treats any amount more than 90 days from inception as inadmissible
- 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 28/02/1435 H, 31/12/2013 G as a comparative versus the results for the twelve month period ended 18/02/1434 H, 31/12/2012 G.

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:

	2009 SR000s 12 months	2010 SR000s 12 months	2011 SR000s 12 months	2012 SR000s 12 months	2013 SR000s 12 months
Gross written premiums (GWP)	1,347,337	1,749,390	1,993,251	2,194,301	3,177,480
Net earned premiums	1,205,351	1,608,908	1,927,629	2,128,028	2,604,458
Total revenue (Insurance Op.)	1,208,017	1,613,109	1,930,583	2,141,092	2,620,260
Gross claims paid	889,057	1,232,218	1,523,835	1,671,622	2,074,049
Net claims incurred	973,422	1,308,103	1,551,030	1,701,051	2,094,354
Total expenses (Insurance Op.)	175,073	223,888	324,649	296,227	380,720

Surplus from insurance operations	59,522	81,118	54,904	143,814	145,186
Shareholders' net income	57,732	70,798	42,244	134,406	147,334

The net earned revenue increased by 22%, the net underwriting result grew by 19% and the "Underlying" result for 2013 increased by 31% (refer section 10.1).

• 9.2 Summary balance sheets:

INSURANCE OPERATIONS' ASSETS	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Cash and cash equivalents	444,162	346,908	551,914	204,533	232,267
Murabaha deposits	-	-	58,000	732,340	956,230
FVIS investments	-	257,178	187,699	87,821	186,107
Prepayments and other assets	28,823	20,881	30,069	23,786	42,370
Premiums receivable - gross	427,197	520,004	403,936	279,807	462,645
Allowance for doubtful premiums receivable	(19,799)	(30,164)	(64,106)	(44,548)	(52,550)
Premiums receivable - net	407,398	489,840	339,830	235,259	410,095
Reinsurer's share of unearned premium	-	-	-	-	43,011
Reinsurer's share of outstanding claims	-	-	-	-	13,708
Deferred policy acquisition costs	14,764	15,470	21,097	22,535	32,200
Total insurance operations' assets	895,147	1,130,277	1,188,609	1,306,274	1,915,988
SHAREHOLDERS' ASSETS	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Cash and cash equivalents	308,789	13,631	13,631	13,631	101,260
Murabaha deposits	-	-	-	-	126,993
FVIS investments	-	299,462	373,534	497,158	446,338
Other receivables	613	-	244	735	1,319
Amount due from insurance operations	39,580	48,761	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	21,025	38,703	41,565	48,918	43,059
Statutory deposit	40,000	40,000	40,000	40,000	40,000
Total shareholders' assets	508,007	538,557	566,974	698,442	856,969
TOTAL ASSETS	1,403,154	1,668,834	1,755,583	2,004,716	2,772,957

INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Unearned premiums	522,517	659,819	722,739	786,669	1,323,069
Outstanding claims	275,259	352,379	381,265	413,509	450,096
Reinsurance balance payable	89	1,269	702	443	505
	797,865	1,013,467	1,104,706	1,200,621	1,773,670
Accrued expenses and other liabilities	51,750	50,508	59,503	63,619	79,113
Obligation under Long-Term Incentive Plan (LTIP)	-	3,477	4,846	8,099	14,751
	849,615	1,067,452	1,169,055	1,272,339	1,867,534
Amount due to shareholders' operations	39,580	48,761	-	-	-
Policyholders' share of surplus from Insurance Op.	5,952	14,064	19,554	33,935	48,454
Total insurance operations' liabilities and surplus	895,147	1,130,277	1,188,609	1,306,274	1,915,988
SHAREHOLDERS' LIABILITIES AND EQUITY	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Accrued expenses and other liabilities	11,336	13,855	21,352	26,532	31,419
Accrued Zakat and income tax	10,318	7,905	15,437	30,306	35,000
Amount due to a related party in respect of goodwill	49,000	20,990	3,355	3,355	-
Amount due to related parties	-	2,818	4,400	4,041	59,490
Total shareholders' liabilities	70,654	45,568	44,544	64,234	125,909
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	9,534	23,694	32,143	59,024	88,491
Retained earnings	27,819	72,004	93,197	180,172	249,621
Total shareholders' equity	437,353	492,989	522,430	634,208	731,060
Total shareholders' liabilities and equity	508,007	538,557	566,974	698,442	856,969
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	1,403,154	1,668,834	1,755,583	2,004,716	2,772,957

Investments and cash grew significantly during 2013 to SR2,089m, from SR1,575m at the end of 2012 (an increase of SR514m, +33%). The growth in cash was achieved mainly due to business growth.

10. Bupa Arabia financial highlights:

• 10.1 Summary key performance indicators:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Gross written premiums (GWP)	2,194,301	3,177,480	983,179	45%
Net earned premiums	2,128,028	2,604,458	476,430	22%
Total expenses	301,322	384,094	82,772	27%
Total operating expense ratio	14.2%	14.7%	0.6%	4%
Surplus of insurance operations	143,814	145,186	1,372	1%
Policyholders' share of insurance operations' surplus	14,381	14,519	138	1%
Net shareholders' income	134,406	147,334	12,928	10%
Weighted average no of ordinary shares (thousands)	39,843	39,741	(102)	0%
Basic earnings per share (Saudi Riyals)	3.37	3.71	0.33	10%

In 2013 the Company achieved significant growth with gross written premium increasing by 45% despite very difficult market conditions in the first half of the year due to unfavourable competitor activity on price. The increased earned, combined with a stable loss ratio (LR) of 80% (claims to earned), for each year, resulted in an increase in the underwriting result of SR83m.

The overheads of the business increased as a result of an increase in the required allowance for the bad debts provision (BDP), due mainly to the growth related timing of the second half written, as well as higher levies and commissions. Regulatory levies at SR48m were SR15m higher than the prior year, an increase of 45%.

Excluding the year on year bad debt provision movement of SR28m, overheads increased versus the prior year due to the full year costs of the prior year infrastructure and resource capability build 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).

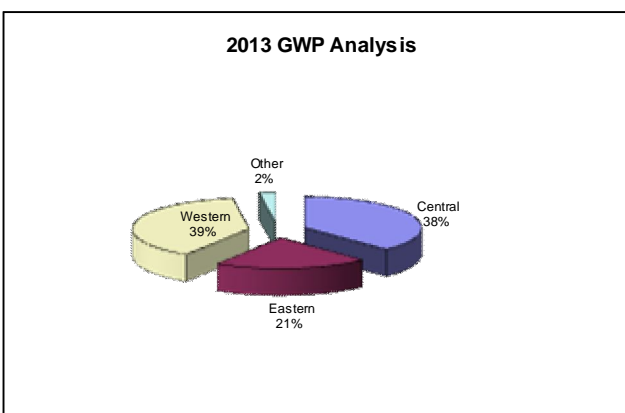
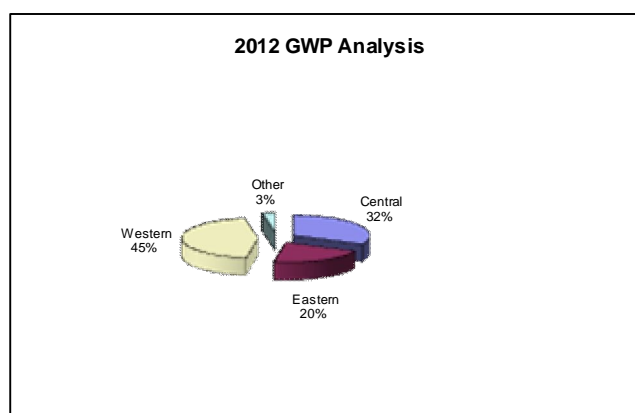
Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Net income for the period (before Tax and Zakat)	134,406	147,334	12,928	10%
Adjust for BDP (Release)/Expense	(19,558)	8,789	28,347	n/a
Less Investment Income	(23,132)	(35,843)	(12,711)	55%
"Underlying" Results	91,716	120,280	28,564	31%

The "Underlying" Results improved, by SR29m during the year, an increase of 31%.

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

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Central	706,301	1,198,417	492,116	70%
Eastern	446,919	678,425	231,506	52%
Western	980,019	1,228,360	248,341	25%
Other	61,062	72,278	11,215	18%
Total gross written premiums (GWP)	2,194,301	3,177,480	983,179	45%

The Company writes only health insurance business in Saudi Arabia and its revenue is currently concentrated predominantly in the main Central, Western and Eastern regions. Significant growth results were achieved in all regions with the Western and Central regions, at SR1.2 billion each, collectively comprising 76% of the GWP for the year. The 2013 geographical GWP mix changed with an increase in the Central, +5.5%, reduction in Western, -6.0%, and an increase of 0.5% in the combined Eastern/Other regions.



• 10.3 Net claims incurred:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Net claims incurred	1,701,051	2,094,354	393,303	23%

The increase in net claims incurred was due to business growth, medical inflation and some significant price increases from a few hospital providers. Despite these underlying claims cost challenges the Company maintained its 2013 loss ratio at the 80% level of 2012.

• 10.4 Total operating expenses:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Insurance operations' operating expenses	296,227	380,720	84,493	29%
Shareholder operations' operating expenses (G&A)	5,095	3,374	(1,721)	(34%)
Total operating expenses	301,322	384,094	82,772	27%
Total operating expense ratio to earned	14.2%	14.7%	0.5%	4%

The total operating expense ratio, to earned, at 14.7%, was a slight deterioration versus the previous twelve month period at 14.2% and was mainly driven by the increase in required allowance for doubtful debts. Excluding the BDP movement of the respective years the operating expense ratio, excluding the BDP expense/release, would have been 14.4% for 2013, representing an improvement versus the 15.1% of 2012. The reduction in the Shareholder operations' operating expenses was mainly due to reduced strategy review process costs and reduced Board fees, in part a prior year accrual reversal. The increase in the Insurance Operations' expenses is further described in section 10.5.

• 10.5 Total insurance operations' operating expenses:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
CCHI and SAMA levies	32,915	47,662	14,748	45%
Bad debt provision (release)/expense	(19,551)	8,789	28,340	(145%)
Other sales and marketing expenses	125,299	153,394	28,094	22%
Total S&M expenses-Insurance operations	138,663	209,845	71,182	51%
Total G&A expenses-Insurance operations	157,564	170,875	13,311	8%
Total Insurance operations operating expenses	296,227	380,720	84,493	29%

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

- The 2013 CCHI and SAMA levies increased versus the prior year due to the higher written premium of 2013.
- The increase in the year on year allowance for doubtful premiums receivable, of SR28m for the twelve month period ended 31/12/2013, was due mainly to the 2013 second half growth (Article 69 written aged basis of provisioning).
- 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 extending the Company's retail distribution.

• 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 relating to the prior year capability build, and the current year additional expenditure incurred due to enhancing the organisational capability in support of the Company's customer growth and strategic initiatives.

• 10.6 Surplus from insurance operations:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Surplus from insurance operations	143,814	145,186	1,372	1%

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 stable loss ratio, but offset by an unfavourable year on year BDP movement and higher growth related expenses, such as levies and commissions. An increase in underwriting contribution of SR83m was achieved. These gains were partially offset by an increase in operating expenses as described in sections 10.4 and 10.5.

• 10.7 Investment income:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Insurance operations' investment income	12,635	15,485	2,850	23%
Shareholder operations' investment income / (loss)	10,068	19,989	9,921	99%
Total investment income	22,703	35,474	12,771	56%

Investment income during the year increased versus the previous year as a result of an increased average cash balance. The mix of investment income increased towards the shareholder operations due to the increase in funds for investment by the shareholder operations following settlement by the insurance operations of its amounts payable to the shareholder operations.

• 10.8 Net shareholders' income:

Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Net shareholders' income	134,406	147,334	12,928	10%

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). Net shareholders' income also benefited from shareholders' investment income SR10m higher than the previous year.

• 10.9 Summary statement of financial position:

Description	2012 SR000s at 31/12/12	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Insurance operations' assets	1,306,274	1,915,988	609,714	47%
Shareholder operations' assets	698,442	856,969	158,527	23%
Total assets	2,004,716	2,772,957	768,241	38%
Insurance operations' liabilities and surplus	1,306,274	1,915,988	609,714	47%
Shareholders' liability	64,234	125,909	61,675	96%
Shareholders' equity	634,208	731,060	96,852	15%
Total liabilities, surplus and shareholders' equity	2,004,716	2,772,957	768,241	38%

The increase in liabilities during the twelve month period was due mainly to an increase in the technical reserves and this was driven by the growth in written premiums, during the twelve month period, and a change in seasonality of written premium to the second half from the first half.

During 2013 the Company generated SR532m, versus 2012 SR359m, of net cash from its operating activities, representing an increase of 48%, being SR274m and SR258m from insurance operations and shareholder operations respectively, versus 2012 at SR335m and SR24m respectively.

• 10.10 Total assets:

Description	2012 SR000s at 31/12/12	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Total assets	2,004,716	2,772,957	768,241	38%

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 SR514m) and the increase in net premiums receivable of SR175m.

• 10.11 Cash and cash equivalents:

Description	2012 SR000s at 31/12/12	2013 SR000s at 31/12/13	2013 Change SR000s	2013 Change %
Insurance operations' cash and cash equivalents	204,533	232,267	27,734	14%
Insurance operations' murabaha deposits	732,340	956,230	223,890	31%
Shareholder operations' cash and cash equivalents	13,631	101,260	87,629	643%
Shareholder operations' murabaha deposits	-	126,993	126,993	n/a
Total cash and cash equivalents	950,504	1,416,750	466,246	49%

The increase in cash and cash equivalents was due mainly to the significant growth during the year.

• 10.12 Investments:

Description	2012 SR000s at 31/12/12	2013 SR000s at 31/12/13	2013 Change SR000s	2013 Change %
Insurance operations' investments	87,821	186,107	98,286	112%
Shareholder operations' investments	497,158	446,338	(50,820)	(10%)
Total investments	584,979	632,445	47,466	8%

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 2013 total amount of SR201m, 2012 total amount of SR113 million, was payable to the shareholders' operations by insurance operations and was settled by transfer of SR127m murabaha deposits and SR74m cash to shareholders' operations as at 31/12/2013. The SR51m decrease in Shareholder operations' investments has arisen due to a move of investments into murabaha deposits, refer SR215m increase in Shareholder operations' cash and cash equivalents per section 10.11.

• 10.13 Total premiums receivable, net:

Description	2012 SR000s at 31/12/12	2013 SR000s at 31/12/13	2013 Change SR000s	2013 Change %
Total premiums receivable, net	235,259	410,095	174,836	74%

The increase in total net premiums receivable was due to the significant growth during the year.

• 10.14 Technical reserves:

Description	2012 SR000s at 31/12/12	2013 SR000s at 31/12/13	2013 Change SR000s	2013 Change %
Unearned premium reserves	786,669	1,323,069	536,400	68%
Claims reserves	413,509	450,096	36,587	9%
Technical reserves	1,200,178	1,773,165	572,987	48%

The growth in the technical reserves is mainly due to the growth in the written premium, of 45%, combined with a change in seasonality of written towards the second half of the year. As a result of the change in seasonality of the written premium the unearned premium reserves at 31/12/2013 increased by SR536m to SR1,323m and represent 41.6% of the annual gross written premium (versus 35.9% at 31/12/2012). The claims reserves increased by SR37m to SR450m and represent 21.5% of the annual net claims incurred (versus 2012 at 24.3%) and as a ratio have reduced versus the previous year due to increased speed of claims settlement during 2013, which has, as an outcome, reduced the claims uncertainty. The technical reserves, as at 31/12/2013, as was the case at 31/12/2012, were correctly calculated and provided for in accordance with SAMA's implementing regulations and have been verified as accurate by an independent 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 2013. In the Corporate sector this was through an enhanced Central region presence (new offices are also under development in Riyadh) combined with an improved focus on major and government accounts. Bupa Arabia successfully expanded its international ability, and provider network, through partnerships and also secured significant new key accounts, such as the Ministry of Foreign Affairs (refer section 10.2 for regional GWP analysis). Retail distribution capability was enhanced mainly through the growth of field salesmen as a financially viable alternative, versus the physical expansion of Retail outlets, given the price pressure that rendered some branches to be loss making. Revenue growth on a written basis was 45% up on 2012 (22% for earned), against an overall market growth estimated at approximately 17% on written basis (21% earned). Bupa Arabia has benefited from the actuarial price enforcement by SAMA given that Bupa Arabia did not participate in the period of pricing pressure which lasted for almost two years.

The Company continues to focus on creating valued products and services that yield a positive healthcare outcome for its members. In 2013 Bupa Arabia started the following services:

- i. Pre & post natal coaching by dedicated medical staff for pregnant women
- ii. E-commerce portal for ease of purchasing individual, domestic help and Saudi family products
- iii. Expanded its social presence on Facebook and Twitter with health education and a prompt response to customer inquiries
- iv. Chronic medication refill via a national pharmacy chain (with more than 700 outlets)
- v. Home care services

• 12.2 Operations management and customer service:

Bupa Arabia continues to invest in its service delivery by 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).

During 2013 Bupa Arabia introduced a healthcare operations unit to focus on implementing innovative health improvement related services. These services have enhanced, in a very significant way, Bupa Arabia’s overall proposition and strengthened our position as the best healthcare insurer in the kingdom. The new services included, among others, Medication refill, Chronic Disease management, Maternity coaching and were designed to establish an emotional connection with our members.

Bupa Arabia further enhanced its successful partnership with Bupa International and established an operational platform to jointly serve international members such as the Saudi Arabian Ministry of Foreign Affairs (MOFA).

Bupa Arabia’s strong capability to manage significant growth was illustrated during the year through its growth of coverage of over half a million members whilst improving service levels, and achieving service awards such as the “Best Call Centre in the Middle East” award. Bupa Arabia’s overall customer satisfaction levels have increased by 8% during the year and the Company is well positioned to achieve its Bupa Arabia 2020 vision.

• 12.3 Bupa Arabia’s people:

Bupa Arabia believes in the value of a healthier and more engaged workforce, and the “service profit chain”. The Company believes that engaged, positive employees will better serve our 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 2013. The Company reviewed its compensation and benefits structure, where grades and salary scales were updated to match the competitive employment market. Benefits were also streamlined to ensure that Bupa Arabia can attract the right talent to drive the business growth. Consequently, in the second half of 2013, the Company experienced an increase in the number of recruits and a decrease in the number of leavers.

Bupa Arabia also conducted some companywide training programs aimed at increasing the effectiveness of managers and employees and continued to run our in-house Talent Reviews to support and develop people. The second administration of the Bupa Global People Survey (GPS) was conducted in the fourth quarter of 2013, with an outcome of improvements in all of its five indices.

Bupa Arabia won the following awards during 2013:

- Best Call Centre in the Middle East Award
- Best Saudi Company to Work For – female category
- 8th Best Saudi Company to Work For – large corporation category

To cater for the significant business growth, the workforce in 2013 increased to around 1,000 employees.

• 12.4 Technology Services & Business Transformation:

Bupa Arabia continues to invest in its Information Technology (IT) systems and capabilities in order to meet market and growth challenges as the company looks at its technology services as a key differentiator in its offering. A three year IT strategy was approved in 2013 where the focus will be on providing an improved customer experience and comprehensive data analytics. In addition, the Technology Services team will be upgraded with additional qualified skills and capabilities.

During 2013 the focus was mainly on the following key projects:

- Online and E-commerce services: a new design and a richer feature of online services has been developed
- Bupa 24/7 operation: the systems have been upgraded to support 24/7 customer and provider support
- Customer Virtual International Banking Account Number (VIBAN) functionality - to facilitate the automated identification and allocation of customer payments
- Routine automated customer statement delivery by email and fax
- Pricing automation for Retail sales, integrated in Client Relationship Management (CRM) systems
- A Command Centre implementation for the pre-authorization team
- Interactive Voice Recognition (IVR) self-services for the Call Centre

In 2014, Bupa Arabia will be deploying an Enterprise Resource Planning (ERP) and CRM solution and will also be upgrading its COGNOS systems.

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 consisted of the following members and their membership in the Boards of other joint stock companies was as detailed within the table below. The Non-Executive Board members representing Bupa Investments Overseas Limited joined during the year after the approval of SAMA and the shareholders in the General Assembly (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
	Mrs. Elizabeth Alison Platt	Not applicable
	Mr. James Gordon Wheaton	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. Saleh Nasser Al-Jasser	Etihad Etisalat Company, Saudi Research and Marketing Group
Executive	Mr. Tal Hisham Nazer	Not applicable

• 13.2 Board of director changes during the year:

The Board of Directors on 27/01/1434 H, 11/12/2012 G 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 27/01/1434 H, 11/12/2012 G. The Board approved the proposed replacement Board members, Mrs. Elizabeth Alison Platt, Mr. James Gordon Wheaton, and Mr. Ignacio Peralta Gracia, subject to the approval of SAMA, which was received during 2013, and subject to the approval of the General Assembly meeting, which was completed on 29/05/1434 H, 10/04/2013 G. The new Board members will complete the three year Board cycle which commenced during 2011.

Outgoing and date	Incoming	Representing
Mr. Dean Allan Holden 11/12/2012	Mr. Ignacio Peralta Gracia Approved 10/04/2013	Bupa Investments Overseas Limited
Mr. William Stephen Ward 11/12/2012	Mrs. Elizabeth Alison Platt Approved 10/04/2013	Bupa Investments Overseas Limited
Mr. Ignacio Ereno Iribarren 11/12/2012	Mr. James Gordon Wheaton Approved 10/04/2013	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 01/01/2013 to 31/12/2013:

Description	Executive Member	Non-Executive Members / Independents	Five senior Executives including CEO and CFO
Salaries and emoluments	120	900	8,546
Board Allowances	12	102	-
Bonuses	-	-	620
LTIP and EOS	-	-	3,195
Prior Year Accrual Reversal	-	(477)	-
Total SR000s	132	525	12,361

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 prior year accrual reversal is due to an expected change in Board fees not approved by the regulator and therefore no longer required.

• **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 31/12/2013:

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 31/12/2012		Closing 31/12/2013		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Eng. Loay Hisham Nazer	10,850	-	1,000	-	(9,850)	(91%)
Mr. Tal Hisham Nazer	1,000	-	1,000	-	-	0%
Mr. Aamer Abdullah Ali Reza	6,000	-	6,000	-	-	0%
Mr. Abdulhadi Ali Saif Shayif	75,025	-	100,025	-	25,000	33%
Mr. Saleh Nasser Al-Jasser	41,450	-	43,629	-	2,179	5%
Mr. Ignacio Peralta Gracia (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
Mrs. Elizabeth Alison Platt (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-

Mr. James Gordon Wheaton (Representative of Bupa Investments Overseas Limited)	-	-	-	-		
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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). The shares reflected as opening shares for Mr. Abdulhadi Shayif are shares which were already owned by Mr. Abdulhadi Shayif prior to his commencement of term period as 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 Senior Executive	Opening 31/12/2012		Closing 31/12/2013		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Fraser David Gregory	7,000	-	7,000	-	-	100%

• **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 8/04/2013	Board 2 18/06/2013	Board 3 09/09/2013	Board 4 11/11/2013
Eng. Loay Hisham Nazer (full year)	Member	Non-Executive	Y	Y	Y	Y
Mr. Tal Hisham Nazer (full year)	Member	Executive	Y	Y	Y	Y
Mr. Aamer Abdullah Ali Reza (full year)	Member	Independent	Y	Y	Y	Y
Mr. Saleh Nasser Al-Jassar (full year)	Member	Independent	Y	Y	Y	Y
Mr. Abdulhadi Ali Saif Shayif	Member	Independent	Y	Y	N	Y

(full year)						
Mrs. Elizabeth Alison Platt (full year)	Member	Non-Executive	Y	Y	Y	Y
Mr. James Gordon Wheaton (full year)	Member	Non-Executive	Y	Y	Y	Y
Mr. Ignacio Peralta Gracia (full year)	Member	Non-Executive	Y	N	Y	Y

• 13.8 Major board resolutions during the year:

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

- The Annual Financial Statements and the Annual Board Report, per the Audit Committee approval recommendation to the Board,
- The recommendation, subject to the approval of SAMA and the Ordinary General Assembly Meeting, and thereafter the Board approval, of Dividends of SR40m,
- The conflicts of interests, subject to the shareholder approval in the Ordinary General Assembly Meeting, and as reflected in this Board report,
- The appointment of the joint external Auditors as Ernst & Young and Deloitte & Touche, for the 2013 financial year, per the Audit Committee approval recommendation to the Board, subject to the shareholder approval in the Ordinary General Assembly Meeting,
- Investments supporting Riyadh/Retail initiatives, including the Riyadh office lease commitment,
- A variety of policies and/or procedures including:
 - The Audit Committee terms of reference: that the External Auditors Audit Plan is to be considered by the Audit Committee, as required by the CMA,
 - The CMA required implementation of article 10d required Board member related policy and procedure, subject to the Ordinary General Assembly Meeting Approval,
 - Outsourcing Policy and Procedures, as required by SAMA,
 - CMA required amendments to the Conflict of Interest Policy
- The appointment of Mr. Mohamed Ayouty, an independent non-Board member, to the Audit Committee, in place of Mr. Simon Granville, for the remainder of the term, subject to the approval of SAMA, and subsequently approved by SAMA,
- The appointment of Mrs. Kate Browne, to the Nomination and Remuneration Committee, in place of Mr. John Handley, for the remainder of the term,
- The appointments of Mr. Gareth Evans and Mr. Khaled Alkhattaf, as members of the Investment Committee, in place of Mr. Simon Warren and Mr. Hassan Aljabri, for the remainder of the term,

• 13.9 General assembly meeting during the year:

Bupa Arabia's Annual Ordinary General Assembly Meeting (the sixth Ordinary General Assembly Meeting) of the shareholders convened on 29/05/1434 H, 10/04/2013 G, during which the following outcomes were concluded:

- Resolution 1: The approval of the Board of Directors report for the year ended 18/02/1434 H, 31/12/2012 G (12 months),
- Resolution 2: The approval of the Annual Financial Statements, and the report of the external auditors, for the year ended 18/02/1434 H, 31/12/2012 G (12 months),
- Resolution 3: The approval of the selection and appointment of the joint external auditors (Ernst & Young and Deloitte & Touche), and the setting of the external auditors' fees, for the company's financial statements for the year ending 28/02/1435 H, 31/12/2013 G, in line with the recommendation of the Audit Committee,
- Resolution 4: The approval of the appointment of the new Board members, representing the foreign shareholder Bupa Investments Overseas Limited:
 - Mr. Ignacio Peralta Gracia (non-Executive Member) replacing Mr. Dean Alan Holden,
 - Mr. James Gordon Wheaton (non-Executive Member) replacing Mr. Ignacio Ereno Iribarren,
 - Mrs. Elizabeth Alison Platt (non-Executive Member) replacing Mr. William Steven Ward,
- Resolution 5: The Ratification of Business and Contracts where a board member has a direct or an indirect interest during the year 2012, as follows:
 - 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 SR150k for 2012, as well as continued services, and associated fees, during 2013,
 - 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 2012 year, as well as continued services, and associated fees, during 2013,
 - Trans Arabian Creative Communications (TRACCS) is 45% owned by Nazer Group Holding, and those whom have a direct interest are; Eng. Loay Nazer Chairman / Mr. Tal Nazer Managing Director, where these are fees for handling the Public Relation matters related to the company with a sum of SR 221k in 2012, as well as continued services, and associated fees, during 2013,
 - 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. During 2012 the trade mark fee payable amounted to SR2,130k, as well as continued services, and associated fees, during 2013.

- Resolution 6: The approval of the recommendation of the Board of Directors of the proposed adjustments to the terms of references of the following Board Committees:
 - The Audit Committee.
 - The Nomination and Remuneration Committee.
 - The Executive Committee.
 - The Investment Committee.
- Resolution 7: The approval of the Board of Directors to pay a dividend, for the year ending 31/12/2012 G, of SR1.00 per share totaling SR forty million (SR 40,000,000), representing 10% of the paid up capital, to shareholders registered at the date of the Extraordinary General Assembly Meeting on 10th April 2013. The date of the cash dividend payment will be confirmed at the Extraordinary General Assembly Meeting. This proposed cash dividend payment represents 10% of the nominal value of each share.
- Resolution 8: The approval of the recommendation of the Board of Directors to set specific and explicit policies, standards and procedures, for the membership of the Board of Directors on the basis of Article (10/d) listed in the Corporate Governance as issued by the Capital Market Authority (CMA) Board.
- Resolution 9: The approval of SR1,044k as the remuneration for the members of the Board of Directors for the year ended 31/12/2012 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 18/02/1434 H, 31/12/2012 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 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 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. 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.

• **13.11 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 SR211k during the 2013 financial year (2012 SR221k). The contractual arrangement was approved during the 2011 and 2012 Annual Ordinary General Assembly meetings which took place during 2012 and 2013. Its approval will also form part of the 2013 Annual Ordinary General Assembly meeting, which will take place during 2014, 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 2014 (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 2013 Annual Ordinary General Assembly meeting during 2014.

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. 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 SR415k for full year 2013 (versus SR169k estimated for the full year 2012). At 31/12/2013 SR237k was estimated as payable to Al Majd Al Rraqi Company for Medical Care and Health Services Limited (SR150k estimated as payable for 2012 as at 31/12/2012). Bupa Arabia confirms that the contract was priced on an arms-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.

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 2013 of SR150k (2012 year was SR150k).

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 2013 the trade mark fee amounted to SR9,714k, compared to 2012 of SR2,130k.

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

During the 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. Ignacio Peralta Gracia, Mrs. Elizabeth Alison Platt and Mr. James Gordon Wheaton. The premium ceded was SR 77 million, at 31/12/2013, which represents around 3% of the 2012 annual written premium. Bupa Arabia will seek the shareholders' approval at the 2013 Annual Ordinary General Assembly meeting, which will take place during 2014.

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 13.12), 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.

• **13.12 Other related party transactions:**

A shareholder, not related to the Board members of the Company, is also 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, are reflected in the related parties note 12 in the annual financial

statements.

During the year Bupa Arabia received SAMA's approval letter, number 341000017461, for the settlement of the SR3,355k final payment, related to the transfer of the insurance portfolio, as provided in the 2011 and 2012 results, to Bupa Middle East Limited E.C. and processed the payment as a full and final settlement.

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 will enhance its policies and obtain 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 Finance, Human Resources and Information Technology) and a "third line" of Risk Assurance provided by the independent control functions (the Internal Audit Services (IAS) department and the Compliance Department).

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 2014 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 afore-mentioned in support of the CMA regulations as contained within article 10 clauses c and d.

During 2013, there were changes in the members of the Board of Directors through the formal approval of the appointment of the members of the Board representing Bupa Investments Overseas Limited, as reflected in section 13.9, Resolution 4. There were no changes in the membership of the Executive Committee, however there were changes in the membership of the Audit Committee, Investment Committee, and Nomination and Remuneration Committee compared to 2012. The 2013 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
<p>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.</p>	<p>Mr. Abdulhadi Shayif (Chairman) Mr. James Wheaton Mr. Mohamed Ayouty</p>	<p>The Audit Committee convened five (5) times during 2013</p>

During 2013 the Audit Committee membership changed, with the Board of Directors on 19/08/1434 H, 18/06/2013 G approving the appointment of Mr. Mohamed Ayouty, an independent non-Board member, joining in place of Mr. Simon Granville, following receipt of SAMA's approval. Mr. Abdulhadi Shayif (independent Board member) continued as the Audit Committee Chairman throughout the 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 2013.

- Internal Audit Services (IAS) - The IAS department completes a variety of internal audits during each year, covering the majority of operational processes/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.
- 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 worldwide standard and four QRAs were completed during 2013 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 2013 IAS schedule, the below more significant internal audits during the current year:
 - Reimbursement Claims processing and settlement processes
 - Inpatient Claims processing and settlement processes
 - Retail Sales processes for new business and renewals
 - Customer Service approval processes
 - Membership (fulfillment and stock control) processes
 - Retail and Individuals pricing processes for new & renewal business,
 - Payroll processing

The overall findings of the IAS department, based on its internal audits completed during 2013, 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	Eng. Loay Nazer	The Executive Committee

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.	(Chairman) Mrs. Elizabeth Alison Platt Mr. James Gordon Wheaton Mr. Tal Nazer	convened eight (8) times during 2013
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There were no changes to the membership of the Executive Committee during 2013.

• 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. James Gordon Wheaton Mr. Aamer Ali Reza Mrs. Kate Browne	The Nomination and Remuneration Committee convened twice (2) during 2013

The Board of Directors on 8/01/1435 H, 11/11/2013 G approved the appointment of Mrs. Kate Browne, to the Nomination and Remuneration Committee, in place of Mr. John Handley, 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	Mr. Saleh Nasser Al-Jassar (Chairman) Mr. Gareth Evans Mr. Khaled Alkhattaf	The Investment Committee convened twice (2) during 2013

institutions to be used for significant investment placements.		
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The Board of Directors on 19/08/1434 H, 18/06/2013 G approved the appointments of Mr. Gareth Evans and Mr. Khaled Alkhattaf as new members replacing Mr. Simon Warren, current year resignation, and Mr. Hassan Aljabri, who resigned from the Investment Committee during late 2012. Mr. Saleh Nasser Al-Jassar, independent Board member, continued as Chairman of the Investment Committee during the year.

15. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 43, paragraphs 7 and 8, the Company 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 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 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 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 2013 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	9,736	35,000
Levies and license fees	36,716	34,647
GOSI	8,333	826
Total	54,785	70,473

•**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 SR9,736k (SR5,177k for the 2012 DZIT return (SR 2,135k for Zakat and SR3,042k for Income Tax) and SR4,559k as a 2013 advance Income Tax payment. The SR35,000k payable includes a SR6,836k provision for the 2013 DZIT return (SR3,160k for Zakat and SR3,676k for Income Tax) and this will be paid to the DZIT before 01/07/1435 H, 30/04/2014 G (as per the DZIT regulations). In addition to the Zakat and Income Tax payments an amount of SR1,419k was paid to the DZIT during the 2013 year for withholding tax (SR5,483k is provided in the results for 2013 related withholding tax, which is payable to the DZIT in 2014).

•**19.3 The Saudi Arabian Monetary Agency (SAMA):**

The total paid to SAMA during the year was SR14,773k for SAMA levies (SR13,015k for the first three quarters of 2013 and SR1,758k for the fourth quarter of 2012, which was fully provided in the 2012 results. The 2013 results include a provision for the 2013 fourth quarter SAMA levy of SR2,872k.

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

The total paid to the CCHI during the year was SR21,943k for the 2012 CCHI levies, which was fully provided in the 2012 results. The 2013 results include a provision for the 2013 CCHI levies of SR31,775k.

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

The total paid to GOSI during the year ended was SR8,333k and included payments of SR670k for 2012. An amount of SR826k is provided in the 2013 results for the 2013 related GOSI amounts payable in 2014.

•**19.6 Tadawul:**

The Company paid SR300k to Tadawul for service fees in support of the stock exchange related administrative services/public reporting regulatory requirements and activities.

•**19.7 Regulatory penalties:**

The Company paid no regulatory penalties during the year.

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 are held by the custodian on behalf of the senior executive(s) and as a result these have been classified as "Shares held under Long-term incentive plan by the custodian". At 28/02/1435 H, 31/12/2013 G, the shares held by the custodian on behalf of the senior executives numbered 280,318 shares, value SR7,052k. In addition SR2,894k has been accrued by the Company representing the fixed percentage for entitled employees for the year. Further details are reflected in the annual financial statements LTIP note 20.

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 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 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 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 29/05/1434 H, 10/04/2013 G, for the financial statements for the fiscal year ended 28/02/1435 H, 31/12/2013 G were Ernst & Young and Deloitte & Touche. This represents a change in the joint external auditors from those appointed for the previous financial period, as per the Board and Audit Committee recommendations, as the Company sought to experience the services of an alternative "big-four" external auditing firm 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 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.