

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND TWELVE-MONTH
PERIODS ENDED 31 DECEMBER 2014**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED
31 DECEMBER 2014**

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INDEPENDENT AUDITORS' REVIEW REPORT

THE SHAREHOLDERS BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) KINGDOM OF SAUDI ARABIA

Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 31 December 2014 and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations and comprehensive income for the three-month and twelve-month periods then ended, and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the twelve-month period then ended and related notes 1 to 17 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

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

Deloitte & Touche Bakr Abulkhair & Co.

PricewaterhouseCoopers

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Certified Public Accountant
Licence No. 375



28 Rabi Al Awaal 1436H
19 January 2015
Jeddah, Kingdom of Saudi Arabia



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Note</i>	<i>31 December 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
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
Reinsurer's share of unearned premium		39,733	43,011
Reinsurer's share of outstanding claims	8	13,432	13,708
Deferred policy acquisition costs		56,601	46,678
Prepayments and other assets		47,431	27,892
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 receivables		1,746	1,319
Furniture, fixtures and equipment		60,667	43,059
Goodwill	3	98,000	98,000
Statutory deposit		40,000	40,000
Total shareholders' assets		1,162,290	856,969
TOTAL ASSETS		4,728,834	2,772,957

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2014

		<i>31 December 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		2,383,358	1,323,069
Outstanding claims	8	812,530	450,096
Reinsurance balance payable		3,253	505
		<u>3,199,141</u>	<u>1,773,670</u>
Accrued expenses and other liabilities		263,468	79,113
Obligation under Long-Term Incentive Plan (LTIP)	12	22,754	14,751
		<u>3,485,363</u>	<u>1,867,534</u>
Total insurance operations' liabilities		3,485,363	1,867,534
Policyholders' share of surplus from insurance operations		81,181	48,454
		<u>3,566,544</u>	<u>1,915,988</u>
Total insurance operations' liabilities and surplus		3,566,544	1,915,988
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		42,398	31,419
Accrued zakat and income tax	11	23,903	35,000
Amount due to related parties	10	44,490	59,490
		<u>110,791</u>	<u>125,909</u>
Total shareholders' liabilities		110,791	125,909
Shareholders' equity			
Share capital		400,000	400,000
Shares held under employees' share scheme	12	-	(7,052)
Statutory reserve		148,746	88,491
Retained earnings		502,753	249,621
		<u>1,051,499</u>	<u>731,060</u>
Total shareholders' equity		1,051,499	731,060
		<u>1,162,290</u>	<u>856,969</u>
Total shareholders' liabilities and equity		1,162,290	856,969
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>4,728,834</u>	<u>2,772,957</u>


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**
**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS**

For the three-month and twelve-month periods ended 31 December 2014

	Note	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)	2014 SR'000 (Unaudited)	2013 SR'000 (Audited)
REVENUE					
Gross written premiums		821,384	574,483	5,740,449	3,177,480
Premiums ceded		(1,421)	(6,897)	(81,807)	(79,633)
Net written premiums		819,963	567,586	5,658,642	3,097,847
Movement in net unearned premiums		581,772	207,535	(1,063,567)	(493,389)
Net earned premiums		1,401,735	775,121	4,595,075	2,604,458
CLAIMS					
Gross claims paid		1,031,861	611,943	3,289,128	2,074,049
Claims recovered		(1,989)	(1,732)	(2,833)	(2,574)
Net claims paid		1,029,872	610,211	3,286,295	2,071,475
Movement in net outstanding claims	8	54,832	(14,567)	362,710	22,879
Net claims incurred		1,084,704	595,644	3,649,005	2,094,354
Net underwriting result		317,031	179,477	946,070	510,104
Investment and commission income		5,179	4,210	18,844	15,485
Other income	9	(30)	76	12,635	317
EXPENSES					
Selling and marketing		(98,803)	(44,980)	(360,737)	(209,845)
General and administration		(88,200)	(44,394)	(289,543)	(170,875)
SURPLUS FROM INSURANCE OPERATIONS		135,177	94,389	327,269	145,186
Shareholders' share of surplus from insurance operations	2(a)	(121,659)	(84,950)	(294,542)	(130,667)
Policyholders' share of surplus from insurance operations		13,518	9,439	32,727	14,519
Policyholders' share of surplus from insurance operations at beginning of the period		67,663	39,015	48,454	33,935
Policyholders' share of accumulated surplus from insurance operations at end of the period		81,181	48,454	81,181	48,454


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and twelve-month periods ended 31 December 2014

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2014 SR'000 (Unaudited)</i>	<i>2013 SR'000 (Unaudited)</i>	<i>2014 SR'000 (Unaudited)</i>	<i>2013 SR'000 (Audited)</i>
REVENUE				
Shareholders' share of surplus from insurance operations	121,659	84,950	294,542	130,667
EXPENSES				
General and administrative	(128)	2,190	(4,071)	(3,374)
	<u>121,531</u>	<u>87,140</u>	<u>290,471</u>	<u>127,293</u>
Investment and commission income	2,340	4,338	10,804	19,989
Other income	-	52	-	52
Net income for the period	<u>123,871</u>	<u>91,530</u>	<u>301,275</u>	<u>147,334</u>
Weighted average number of ordinary shares outstanding (in thousand)	<u>39,878</u>	<u>39,720</u>	<u>39,796</u>	<u>39,741</u>
Basic and diluted income per share (in Saudi Arabian Riyals)	<u>3.11</u>	<u>2.30</u>	<u>7.57</u>	<u>3.71</u>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and twelve-month periods ended 31 December 2014

	Note	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)	2014 SR'000 (Unaudited)	2013 SR'000 (Audited)
Net income for the period		123,871	91,530	301,275	147,334
Other comprehensive income/(expense)					
Provision for zakat	11	(2,469)	(1,535)	(10,419)	(6,083)
Reversal of prior year zakat provision during the period	11	-	-	26,323	-
Provision for income tax	11	(5,932)	(2,188)	(17,550)	(8,347)
Income tax recovered from non-Saudi shareholders during the period	14	-	-	6,182	6,012
Total comprehensive income for the period		115,470	87,807	305,811	138,916


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period ended 31 December 2014

	Note	Share capital SR'000	Shares held under employees' share scheme SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2013 (Audited)		400,000	(7,052)	88,491	249,621	731,060
Net income for the period		-	-	-	301,275	301,275
Transfer to statutory reserve		-	-	60,255	(60,255)	-
Purchase of additional shares held under LTIP	12	-	(3,761)	-	-	(3,761)
Sale of shares held under LTIP	12	-	10,813	-	-	10,813
Gain on sale of shares held under LTIP	12	-	-	-	27,576	27,576
Provision for zakat	11	-	-	-	(10,419)	(10,419)
Reversal of prior year zakat provision during the period	11	-	-	-	26,323	26,323
Provision for income tax	11	-	-	-	(17,550)	(17,550)
Tax recovered from non-Saudi shareholders		-	-	-	6,182	6,182
Dividends	14	-	-	-	(20,000)	(20,000)
Balance at 31 December 2014 (Unaudited)		400,000	-	148,746	502,753	1,051,499

	Notes	Share capital SR'000	Shares held under employees' share scheme SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2012 (Audited)		400,000	(4,988)	59,024	180,172	634,208
Net income for the period		-	-	-	147,334	147,334
Transfer to statutory reserve		-	-	29,467	(29,467)	-
Purchase of additional shares held under LTIP		-	(2,064)	-	-	(2,064)
Provision for zakat	11	-	-	-	(6,083)	(6,083)
Provision for income tax	11	-	-	-	(8,347)	(8,347)
Tax recovered from non-Saudi shareholders		-	-	-	6,012	6,012
Dividends		-	-	-	(40,000)	(40,000)
Balance at 31 December 2013 (Audited)		400,000	(7,052)	88,491	249,621	731,060

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the twelve-month period ended 31 December 2014

	Note	Twelve-month period ended 31 December	
		2014 SR'000 (Unaudited)	2013 SR'000 (Audited)
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		32,727	14,519
Adjustments for:			
Depreciation		12,216	12,863
Allowance for doubtful premiums receivable	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)
		<u>64,412</u>	<u>30,617</u>
Changes in assets and liabilities:			
Premiums receivable		(213,900)	(182,838)
Reinsurer's share of unearned premium		3,278	(43,011)
Reinsurer's share of outstanding claims		276	(13,708)
Deferred policy acquisition costs		(9,923)	(9,665)
Prepayments and other assets		(19,539)	(18,584)
Net movement in unearned premiums		1,060,289	536,400
Outstanding claims		362,434	36,587
Reinsurance balance payable		2,748	62
Accrued expenses and other liabilities		184,355	15,494
Obligation under LTIP	12	8,003	6,652
Due from shareholders' operations		(12,216)	(83,722)
		<u>1,430,217</u>	<u>274,284</u>
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)
		<u>(254,819)</u>	<u>(246,550)</u>
Net cash used in investing activities			
Increase in cash and cash equivalents		1,175,398	27,734
Cash and cash equivalents at beginning of the period		232,267	204,533
Cash and cash equivalents at end of the period	4	1,407,665	232,267

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the twelve-month period ended 31 December 2014

	Notes	Twelve-month period ended 31 December	
		2014 SR'000 (Unaudited)	2013 SR'000 (Audited)
OPERATING ACTIVITIES			
Net income for the period		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)
		<u>292,867</u>	<u>127,295</u>
Changes in assets and liabilities:			
Other receivables		(427)	(584)
Accrued expenses and other liabilities		10,979	4,887
Amount due to related parties		(15,000)	55,449
Amount due to related party in respect of goodwill	3	-	(3,355)
Due to insurance operations		12,216	83,722
		<u>300,635</u>	<u>267,414</u>
Zakat and income tax paid	11	(12,743)	(9,736)
Net cash from operating activities		<u>287,892</u>	<u>257,678</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(29,824)	(7,004)
Murabaha deposits, net	5	82,263	(126,993)
Purchase of FVIS investments	6	(127,676)	-
Disposal of FVIS investments	6	127,844	-
Purchase of shares held under LTIP		(3,761)	(2,064)
Sale of shares held under LTIP	12	38,389	-
Net cash from / (used in) investing activities		<u>87,235</u>	<u>(136,061)</u>
FINANCING ACTIVITIES			
Dividends paid	14	(20,000)	(40,000)
Tax recovered from non-Saudi shareholders		6,182	6,012
Net cash used in financing activities		<u>(13,818)</u>	<u>(33,988)</u>
Increase in cash and cash equivalents		<u>361,309</u>	<u>87,629</u>
Cash and cash equivalents at beginning of the period		<u>101,260</u>	<u>13,631</u>
Cash and cash equivalents at end of the period	4	<u>462,569</u>	<u>101,260</u>
Non-cash information			
Zakat and income tax charged to comprehensive income		1,646	14,430

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and twelve-month periods ended 31 December 2014

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428H (corresponding to 11 September 2007) pursuant to the Council of Ministers’ Resolution No 279 dated 28 Shabaan 1428H (corresponding to 10 September 2007). The Company is 73.75% owned by Saudi 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. BASIS OF PREPARATION

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

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s audited financial statements for the year ended 31 December 2013.

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

In accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-month and twelve-month periods ended 31 December 2014

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. BASIS OF PREPARATION (continued)

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

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those used for the preparation of annual financial statements.

Further, the adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) by the Company as mentioned in note 2(b) did not have any impact on these interim condensed financial statements.

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

The Company presents its interim 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 interim reporting date.

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

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

b. NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY

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

<i>Standard/ Interpretation</i>	<i>Description</i>
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
IFRIC 21	Levies

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-month and twelve-month periods ended 31 December 2014

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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

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

<i>Standard</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	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

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

3 GOODWILL

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

As per the terms of the agreement with the Seller, the Seller is also eligible for additional goodwill consideration of SR 3.4 million. During the twelve-month period ended 31 December 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.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in banks (see note 6(a))	<u>1,407,665</u>	<u>232,267</u>
<i>Shareholders' Operations</i>		
Cash in banks (see note 6(a))	<u>462,569</u>	<u>101,260</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the three-month and twelve-month periods ended 31 December 2014

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 twelve-month period ended 31 December 2014 and 31 December 2013 are as follows:

	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Balance at beginning of the period	956,230	1,082,935
Matured during the period	(1,795,361)	-
Placed during the period	2,052,158	-
Transferred to shareholders' operations (see note 6(a))	-	(126,705)
	<u>1,213,027</u>	<u>956,230</u>
	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Shareholders' operations</i>		
Balance at beginning of the period	126,993	-
Matured during the period	(416,177)	(126,705)
Placed during the period	333,914	126,993
Transferred from insurance operations (see note 6(a))	-	126,705
	<u>44,730</u>	<u>126,993</u>

6 FVIS INVESTMENTS

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

	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Insurance operations	189,968	186,107
Shareholders' operations	454,578	446,338
	<u>644,546</u>	<u>632,445</u>

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

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6 FVIS INVESTMENTS (continued)

The movements in the investments during the twelve-month period ended 31 December 2014 and 31 December 2013 are as follows:

	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance operations</i>		
Balance at beginning of the period	186,107	87,821
Purchased during the period	1,013,262	249,490
Disposed during the period	(1,015,240)	(226,830)
Transferred from shareholders' operations (see note (a) below)	-	70,859
Realised gain during the period	1,979	373
Unrealised gain during the period	3,860	4,394
	<u>189,968</u>	<u>186,107</u>
	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Shareholders' operations</i>		
Balance at beginning of the period	446,338	497,158
Purchased during the period	127,676	-
Disposed during the period	(127,844)	-
Transferred to insurance operations (see note (a) below)	-	(70,859)
Realised gain during the period	168	-
Unrealised gain during the period	8,240	20,039
	<u>454,578</u>	<u>446,338</u>

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).

7 PREMIUMS RECEIVABLE – NET

	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Gross premiums receivable	676,545	462,645
Allowance for doubtful premiums receivable	(77,858)	(52,550)
	<u>598,687</u>	<u>410,095</u>

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7 PREMIUMS RECEIVABLE – NET (continued)

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

	<i>31 December 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Balance at beginning of the period	52,550	44,548
Provision made during the period	25,626	8,789
Utilized during the period	(318)	(787)
Balance at end of the period	<u>77,858</u>	<u>52,550</u>

8 NET MOVEMENT IN OUTSTANDING CLAIMS

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Audited) SR'000</i>
<i>Insurance Operations</i>				
Outstanding claims at end of the period	812,530	450,096	812,530	450,096
Outstanding claims at beginning of the period	(759,713)	(462,376)	(450,096)	(413,509)
	<u>52,817</u>	<u>(12,280)</u>	<u>362,434</u>	<u>36,587</u>
Reinsurer's share of outstanding claims at end of the period	(13,432)	(13,708)	(13,432)	(13,708)
Reinsurer's share of outstanding claims at beginning of the period	15,447	11,421	13,708	-
	<u>2,015</u>	<u>(2,287)</u>	<u>276</u>	<u>(13,708)</u>
Net movement in outstanding claims	<u>54,832</u>	<u>(14,567)</u>	<u>362,710</u>	<u>22,879</u>

9 OTHER INCOME

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

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10 TRANSACTIONS WITH RELATED PARTIES

The following are details of major related party transactions during the period ended 31 December 2014 and 31 December 2013 and the related balances at the period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Twelve-month period ended 31 December 2014 (Unaudited)</i>	<i>Twelve-month period ended 31 December 2013 (Audited)</i>
Insurance Operations			
Shareholders	Premiums written	30,528	46,045
Shareholders	Premium ceded (see note (a) below)	74,858	76,661
Shareholders	Claims paid	7,085	25,180
Shareholders	Medical cost charged by a provider (see note (b) below)	-	181,812
Shareholders	Expenses recharged to a related party (see note (c) below)	2,517	-
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note (d) below)	11,505	9,714
Key management personnel	Short-term benefits	15,693	9,166
	Long-term benefits	7,309	3,195
Shareholders' Operations			
Bupa Middle East Limited E.C. (Affiliate)	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 interim statement of financial position.
- b) The related party is a hospital provider where any of the Company's entitled customers, and their qualified members, can use the facilities of the related party. The Company makes payments for all medical costs of all its contracts, to this provider related party, in accordance with the contractual terms of agreement with the provider related party. As at 31 December 2013, the estimated payable to the related party, for medical cost payments, amounted to SR 29.2 million. During 2014, the related party sold its holding in the Company and therefore is not a related party as of 31 December 2014.
- c) Certain employees of the Company, during the twelve month period ended 31 December 2014, worked on a project owned by one of the shareholder of the Company. As a result, the related costs of those employees, for the period worked on the project, were recharged to the related party amounting to SR 2.5 million which was settled during the period.
- d) During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee.
- e) Amount due to related parties are disclosed in the interim statement of financial position. There are no premium receivables as at 31 December 2014 and 2013.

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11 ZAKAT AND INCOME TAX

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

Movements in the zakat and income tax accrued during the twelve month period ended 31 December 2014 and 31 December 2013 are as follows:

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 31 December 2014 (Unaudited) SR'000</i>	<i>Total 31 December 2013 (Audited) SR'000</i>
Balance at beginning of the period	31,324	3,676	35,000	30,306
Provided during the period	10,419	17,550	27,969	14,430
Reversal of prior years' provisions during the period	(26,323)	-	(26,323)	-
Payments during the period	(2,891)	(9,852)	(12,743)	(9,736)
Balance at end of the period	<u>12,529</u>	<u>11,374</u>	<u>23,903</u>	<u>35,000</u>

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 assessments and the final conclusions are awaited.

During 2014, the Company reversed zakat payable of prior years' amounting to SR 26.3 million relating to surplus provisions for prior years.

12 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.

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.

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12 LONG-TERM INCENTIVE PLAN (LTIP) (Continued)

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.

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 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.

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 38.4million) has been credited directly to the retained earnings. As at 31st 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.

13 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

The Company only issues short-term insurance contracts for providing health care services ('medical insurance'). All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in two customer categories, based on the number of members covered. Major customers represent large corporates, and all others 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 balance payable, accrued expenses and other liabilities, obligation under LTIP and policyholders' share of surplus from insurance operations.

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13 SEASONALITY AND SEGMENT INFORMATION (continued)

c) SEGMENT INFORMATION (continued)

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

	<i>For the three-month period ended 31 December 2014 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	326,833	494,551	821,384
Premiums ceded	(670)	(751)	(1,421)
Net written premiums	326,163	493,800	819,963
Movement in net unearned premiums	577,942	3,830	581,772
Net earned premiums	904,105	497,630	1,401,735
Gross claims paid	675,736	356,125	1,031,861
Claims recovered	(1,157)	(832)	(1,989)
Net claims paid	674,579	355,293	1,029,872
Movement in net outstanding claims	36,184	18,648	54,832
Net claims incurred	710,763	373,941	1,084,704
Net underwriting result	193,342	123,689	317,031
Unallocated income			5,149
Unallocated expenses			(187,003)
Surplus from insurance operations			135,177

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13 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 December 2013 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Gross written premiums	235,099	339,384	574,483
Premiums ceded	(6,341)	(556)	(6,897)
Net written premiums	228,758	338,828	567,586
Movement in net unearned premiums	202,580	4,955	207,535
Net earned premiums	431,338	343,783	775,121
Gross claims paid	348,385	263,558	611,943
Claims recovered	(1,056)	(676)	(1,732)
Net claims paid	347,329	262,882	610,211
Movement in net outstanding claims	(8,223)	(6,344)	(14,567)
Net claims incurred	339,106	256,538	595,644
Net underwriting result	92,232	87,245	179,477
Unallocated income			4,286
Unallocated expenses			(89,374)
Surplus from insurance operations			94,389

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13 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2014 (Unaudited)</i>		
	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

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13 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2013 (Audited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
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

	<i>As at 31 December 2014 (Audited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Insurance operations' assets			
Premiums receivable - net	364,505	234,182	598,687
Reinsurer's share of unearned premium	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	1,397,84	985,674	2,383,358
Outstanding claims	535,171	277,359	812,530
Unallocated liabilities and surplus	-	-	370,656
Total			3,566,544

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13 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 31 December 2013 (Audited)</i>		
	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	-	-	<u>1,402,496</u>
Total			<u><u>1,915,988</u></u>
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	-	-	<u>142,823</u>
Total			<u><u>1,915,988</u></u>

14 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 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 DZIT equalisation, the non-Saudi shareholders were required to pay the Company an amount of SR 6,182 thousand.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The Company's financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, investments, re-insurance share of outstanding claims, statutory deposits and other receivables and its financial liabilities consist of outstanding claims, reinsurance balance payable, obligation under LTIP, amount due to related parties and other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 December 2014 and 31 December 2013, apart from the FVIS 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.

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15 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

As at 31 December 2014 and 31 December 2013, all financial instruments which are fair valued are Level 2 instruments. There were no transfer between levels 1, 2 and 3 during the period.

16 COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform with the presentation in the current year.

17 BOARD OF DIRECTORS' APPROVAL

These interim condensed financial statements have been approved by the Board of Directors on 18 January 2015.