

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2013**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2013**

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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**

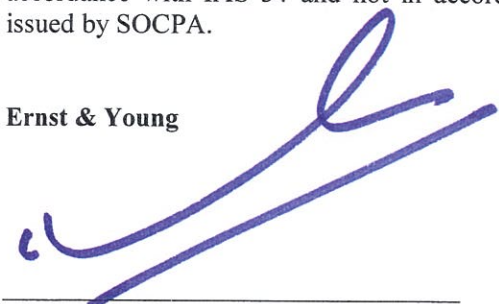
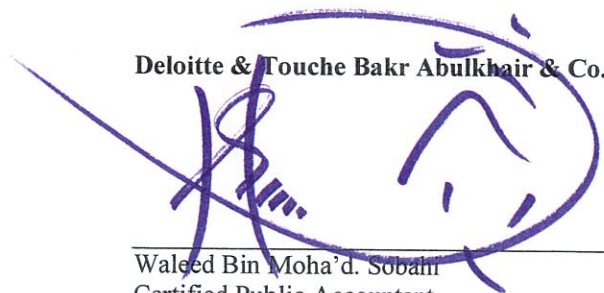
We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 30 September 2013, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations and shareholders’ comprehensive income for the three-month and nine-month periods then ended, and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the nine-month period then ended and related notes 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 (“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 Information 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 Information issued by SOCPA.

Ernst & YoungAhmed I. Reda
Certified Public Accountant
Licence No. 356**Deloitte & Touche Bakr Abulkhair & Co.**Walied Bin Moha'd. Sobahi
Certified Public Accountant
Licence No. 378Jeddah, Kingdom of Saudi Arabia
23 Dhul Hijjah 1434 H
28 October 2013

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		<i>30 September 2013 SR'000 (Unaudited)</i>	<i>31 December 2012 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS	<i>Notes</i>		
Cash and cash equivalents	4	311,651	204,533
Murabaha deposits	5	732,300	732,340
FVIS investments	6	147,491	87,821
Premiums receivable, net	7	808,131	235,259
Reinsurer's share of unearned premium		56,644	-
Reinsurer's share of outstanding claims	8	11,421	-
Deferred policy acquisition costs		27,288	22,535
Prepayments and other assets		35,829	23,786
Total insurance operations' assets		2,130,755	1,306,274
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	27,952	13,631
Murabaha deposits	5	126,705	-
FVIS investments	6	442,288	497,158
Other receivables		1,214	735
Furniture, fittings and equipment		43,339	48,918
Goodwill	3	98,000	98,000
Statutory deposit		40,000	40,000
Total shareholders' assets		779,498	698,442
TOTAL ASSETS		2,910,253	2,004,716


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 14 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 30 September 2013

	<i>Notes</i>	<i>30 September 2013 SR'000 (Unaudited)</i>	<i>31 December 2012 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		1,544,237	786,669
Outstanding claims	8	462,376	413,509
Reinsurance balance payable		673	443
		<u>2,007,286</u>	<u>1,200,621</u>
Accrued expenses and other liabilities		73,818	63,619
Obligation under Long-Term Incentive Plan (LTIP)		10,636	8,099
		<u>2,091,740</u>	<u>1,272,339</u>
Policyholders' share of surplus from insurance operations		39,015	33,935
Total insurance operations' liabilities and surplus		<u>2,130,755</u>	<u>1,306,274</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		32,855	26,532
Accrued zakat and income tax	10	32,797	30,306
Amount due to a related party in respect of goodwill	3	-	3,355
Amount due to related parties	9	70,593	4,041
Total shareholders' liabilities		<u>136,245</u>	<u>64,234</u>
Shareholders' equity			
Share capital		400,000	400,000
Shares held under employees' share scheme		(7,052)	(4,988)
Statutory reserve		59,024	59,024
Retained earnings		191,281	180,172
Total shareholders' equity		<u>643,253</u>	<u>634,208</u>
Total shareholders' liabilities and equity		<u>779,498</u>	<u>698,442</u>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>2,910,253</u>	<u>2,004,716</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 14 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 (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2013

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2013	2012	2013	2012
		SR '000	SR '000	SR '000	SR '000
REVENUE					
Gross written premiums		902,638	466,929	2,602,997	1,842,666
Premiums ceded		(71,496)	(587)	(72,736)	(1,733)
Net written premiums		831,142	466,342	2,530,261	1,840,933
Movement in net unearned premiums		(128,175)	66,806	(700,924)	(266,764)
Net earned premiums		702,967	533,148	1,829,337	1,574,169
CLAIMS					
Gross claims paid		508,872	376,574	1,462,106	1,227,686
Claims recovered		(842)	(1,047)	(842)	(2,228)
Net claims paid		508,030	375,527	1,461,264	1,225,458
Movement in net outstanding claims	8	21,144	(5,048)	37,446	40,868
Net claims incurred		529,174	370,479	1,498,710	1,266,326
Net underwriting result		173,793	162,669	330,627	307,843
Investment and commission income		3,630	3,666	11,275	8,670
Other income		56	94	241	307
EXPENSES					
Selling and marketing		(57,996)	(40,498)	(164,865)	(107,439)
General and administration		(41,977)	(38,022)	(126,481)	(116,928)
SURPLUS FROM INSURANCE OPERATIONS		77,506	87,909	50,797	92,453
Shareholders' share of surplus from insurance operations	2(a)	(72,426)	(79,118)	(45,717)	(83,208)
Policyholders' share of surplus from insurance operations		5,080	8,791	5,080	9,245
Policyholders' share of surplus from insurance operations at beginning of the period		33,935	20,008	33,935	19,554
Policyholders' share of accumulated surplus from insurance operations at end of the period		39,015	28,799	39,015	28,799


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 14 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 (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2013

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2013 SR'000</i>	<i>2012 SR'000</i>	<i>2013 SR'000</i>	<i>2012 SR'000</i>
REVENUE				
Shareholders' share of surplus from insurance operations	72,426	79,118	45,717	83,208
EXPENSES				
General and administration	(2,205)	(1,390)	(5,564)	(3,357)
	<u>70,221</u>	<u>77,728</u>	<u>40,153</u>	<u>79,851</u>
Investment income	3,785	2,187	15,651	7,438
Net income for the period	<u>74,006</u>	<u>79,915</u>	<u>55,804</u>	<u>87,289</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>39,720</u>	<u>39,788</u>	<u>39,748</u>	<u>39,862</u>
Basic and diluted income per share (in Saudi Arabian Riyals)	<u>1.86</u>	<u>2.01</u>	<u>1.40</u>	<u>2.19</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2013

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	74,006	79,915	55,804	87,289
Zakat for the period (Note 10)	(1,623)	(4,872)	(4,548)	(16,130)
Income tax for the period (Note 10)	(2,328)	(786)	(6,159)	(5,420)
Total comprehensive income for the period	70,055	74,257	45,097	65,739


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
For the nine-month period ended 30 September 2013

Notes	Share capital SR '000	Shares held under employees'	Statutory reserve SR '000	Retained earnings SR '000	Total SR '000
		share scheme SR '000			
Balance at 31 December 2012 (Audited)	400,000	(4,988)	59,024	180,172	634,208
Net income for the period	-	-	-	55,804	55,804
Zakat for the period	10	-	-	(4,548)	(4,548)
Income tax for the period	10	-	-	(6,159)	(6,159)
Dividends	12	-	-	(40,000)	(40,000)
Tax recovered from non-Saudi shareholders	2(a)	-	-	6,012	6,012
Purchase of additional shares held under LTIP	-	(2,064)	-	-	(2,064)
Balance at 30 September 2013 (Unaudited)	400,000	(7,052)	59,024	191,281	643,253

	Share capital SR '000	Shares held under employees'	Statutory reserve SR '000	Retained earnings SR '000	Total SR '000
		share scheme SR '000			
Balance at 31 December 2011 (Audited)	400,000	(2,910)	32,143	93,197	522,430
Net income for the period	-	-	-	87,289	87,289
Zakat for the period	-	-	-	(16,130)	(16,130)
Income tax for the period	-	-	-	(5,420)	(5,420)
Partial disposal of shares held under LTIP	-	1,911	-	-	1,911
Purchase of additional shares held under LTIP	-	(3,989)	-	-	(3,989)
Balance at 30 September 2012 (Unaudited)	400,000	(4,988)	32,143	158,936	586,091

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 14 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
(UNAUDITED)
For the nine-month period ended 30 September 2013

		<i>Nine-month period ended</i>	
		<i>30 September</i>	
	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		5,080	9,245
Adjustments for:			
Depreciation		9,955	10,138
Net movement in unearned premiums		757,568	266,764
Reinsurer's share of unearned premium		(56,644)	-
Allowance/(reversal of allowance) for doubtful premiums receivable	7	16,689	(14,636)
Deferred policy acquisition costs		(4,753)	(1,861)
Realised gain on disposal of investments	6	(373)	-
Unrealised gain on investments	6	(3,058)	(3,806)
		<u>724,464</u>	<u>265,844</u>
Changes in assets and liabilities:			
Premiums receivable		(589,561)	(33,702)
Prepayments and other assets		(12,043)	(130)
Outstanding claims		48,867	40,868
Reinsurer's share of outstanding claims		(11,421)	-
Due from shareholders' operations		(80,814)	62,959
Reinsurance balance payable		230	(536)
Accrued expenses and other liabilities		10,199	(1,288)
Obligation under LTIP		2,537	2,332
Net cash from operating activities		<u>92,458</u>	<u>336,347</u>
INVESTING ACTIVITIES			
Purchase of investments	6	(212,210)	(8,160)
Disposal of investments	6	226,830	-
Murabaha deposits	5	40	(22,437)
Net cash from/(used in) investing activities		<u>14,660</u>	<u>(30,597)</u>
Increase in cash and cash equivalents		107,118	305,750
Cash and cash equivalents at beginning of the period		204,533	551,914
Cash and cash equivalents at end of the period	4	<u>311,651</u>	<u>857,664</u>

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2013

	<i>Notes</i>	<i>Nine-month period ended</i>	
		<i>30 September</i>	
		<i>2013</i>	<i>2012</i>
		<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES			
Net income for the period		55,804	87,289
Adjustment for:			
Unrealised gain on investments	6	(15,989)	(7,732)
		<u>39,815</u>	<u>79,557</u>
Changes in assets and liabilities:			
Accrued expenses and other liabilities		6,323	4,416
Amount due to related parties		66,552	(1,518)
Amount due to a related party in respect of goodwill	3	(3,355)	-
Due to insurance operations		80,814	(62,959)
Other receivables		(479)	(327)
		<u>189,670</u>	<u>19,169</u>
Zakat and income tax paid	10	(8,216)	(4,668)
Net cash from operating activities		<u>181,454</u>	<u>14,501</u>
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(4,376)	(12,423)
Murabaha deposits	5	(126,705)	-
Purchase of shares held under LTIP		(2,064)	(3,989)
Disposal of shares held under LTIP		-	1,911
Net cash used in investing activities		<u>(133,145)</u>	<u>(14,501)</u>
FINANCING ACTIVITIES			
Dividends paid	12	(40,000)	-
Tax recovered from non-Saudi shareholders	2(a)	6,012	-
Net cash used in financing activities		<u>(33,988)</u>	<u>-</u>
Net movement in cash and cash equivalents		14,321	-
Cash and cash equivalents at beginning of the period		13,631	13,631
Cash and cash equivalents at end of the period	4	<u>27,952</u>	<u>13,631</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 14 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

At 30 September 2013

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-Khaleidiyah 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 1428 H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428 H (corresponding to 10 September 2007). The Company is 73.75% owned by Saudi founding shareholders and the general public and 26.25% owned by non-Saudi founding shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 17 May 2008.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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 2012.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders' Operations. 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)

At 30 September 2013

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, except as noted below.

During the period the Company amended its zakat and income tax policy through the introduction of the objective to maintain an equal retained earnings per share between the Saudi and foreign shareholders, by equalizing the different zakat and income tax charges.

"Under Saudi Arabian Zakat and Income tax laws, zakat and income tax are the liabilities of the Saudi and foreign shareholders, respectively. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the zakat regulations. Income tax is computed on the foreign shareholders' share of net income for the period.

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

The adoption of the amended policy does not result in any differences in the assets, liabilities or surplus of the insurance operations, nor any material differences in the shareholders' operations assets or liabilities or the shareholders' equity.

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

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

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

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

<i>Standards</i>	<i>Description</i>
IFRS 7	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair Value Measurement
IAS 1	Amendments to IAS 1 Presentation of items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in associates & joint ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and liabilities

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

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

<i>Standards</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments	1 January 2015
IFRS 10, IFRS 12 & IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

3 AMOUNT DUE TO A RELATED PARTY IN RESPECT OF GOODWILL

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the "Seller"), a related party, pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by the Saudi Arabian Monetary Agency ("SAMA") and resulted in goodwill of SR 98 Million. The entire amount was paid 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 3,355 thousand. During the period ended 30 September 2013, the Company received SAMA's letter, number 341000017461, approving the settlement of the final goodwill consideration of SR 3,355 thousand and accordingly settled the amount with the Seller.

The movement in the amount payable to the Seller in respect of goodwill during the period ended 30 September 2013 and for the year ended 31 December 2012 is as follows:

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Balance at beginning of the period/year	3,355	3,355
Paid during the period/year	(3,355)	-
Balance at end of the period/year	<u>-</u>	<u>3,355</u>

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in banks	240,256	83,267
Murabaha deposits (see note 5)	71,395	121,266
	<u>311,651</u>	<u>204,533</u>
<i>Shareholders' Operations</i>		
Cash in bank	<u>27,952</u>	<u>13,631</u>

The Murabaha deposits are held with commercial banks. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity not exceeding three months.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

6 FVIS INVESTMENTS (continued)

The movement in the investments during the nine-month period ended 30 September 2013 and for the year ended 31 December 2012 is as follows:

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<i>Insurance operations</i>		
Balance at beginning of the period/year	87,821	187,699
Purchased during the period/year	212,210	8,160
Disposed during the period/year	(226,830)	-
Transferred from/(to) shareholders' operations (see note (a) below)	70,859	(113,191)
Realised gain during the period/year	373	-
Unrealised gain during the period/year	3,058	5,153
	<u>147,491</u>	<u>87,821</u>
	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
<i>Shareholders' operations</i>		
Balance at beginning of the period/year	497,158	373,534
Transferred (to)/from insurance operations (see note (a) below)	(70,859)	113,191
Unrealised gain during the period/year	15,989	10,433
	<u>442,288</u>	<u>497,158</u>

- a) Up to 30 June 2013, amount payable to/receivable from shareholders operations were settled by transfer of FVIS investments of an equivalent amount representing fair value between the operations at the respective dates. Subsequently, the Company decided to settle the amount payable to/from shareholders operations by transfer of murabaha deposits of an equivalent amount representing fair value between the operations at the respective date (see note 5).

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7 PREMIUMS RECEIVABLE, NET

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Gross premiums receivable	869,368	279,807
Allowance for doubtful premiums receivable	(61,237)	(44,548)
Premiums receivable, net	<u>808,131</u>	<u>235,259</u>

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

	<i>30 September 2013 (Unaudited) SR'000</i>	<i>31 December 2012 (Audited) SR'000</i>
Balance at beginning of the period/year	44,548	64,106
Provision made during the period/year	16,689	-
Reversal during the period/year	-	(19,558)
Balance at end of the period/year	<u>61,237</u>	<u>44,548</u>

8 NET MOVEMENT IN OUTSTANDING CLAIMS

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2013 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>
<i>Insurance Operations</i>				
Outstanding claims at end of the period	462,376	422,133	462,376	422,133
Reinsurer's share of outstanding claims at the end of the period	(11,421)	-	(11,421)	-
	<u>450,955</u>	<u>422,133</u>	<u>450,955</u>	<u>422,133</u>
Outstanding claims at beginning of the period	(429,811)	(427,181)	(413,509)	(381,265)
Reinsurer's share of outstanding claims at the beginning of the period	-	-	-	-
	<u>(429,811)</u>	<u>(427,181)</u>	<u>(413,509)</u>	<u>(381,265)</u>
Net movement in outstanding claims	<u>21,144</u>	<u>(5,048)</u>	<u>37,446</u>	<u>40,868</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

9 TRANSACTIONS WITH RELATED PARTIES

The following are details of major related party transactions during the period ended 30 September 2013 and the related balances at the period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Nine-month period ended 30 September 2013 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	43,993	31,742
Shareholders	Premium ceded (see note (c) below)	70,706	-
Shareholders	Claims paid	16,331	11,080
Shareholders	Medical cost payments to a provider (see note (a) below)	119,305	84,372
Bupa Middle East Holdings Two WLL (Related party)	Trade mark fee	1,845	1,576
Key management personnel	Short-term benefits	8,184	6,794
	Long-term benefits	2,534	2,384
<i>Shareholders' Operations</i>			
Bupa Middle East Limited E.C. (Affiliate)	Payment in respect of goodwill consideration (note 3)	3,355	-

- a) 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 on an arm's length basis. As at 30 September 2013, the estimated payable to the related party, for medical cost payments, amounted to SR 23.2 million (31 December 2012: SR 15.8 million).
- b) Amount due to related parties is disclosed in the interim statement of financial position. Premiums receivable, net, includes premiums receivable from related parties amounting to SR 701 thousands (31 December 2012: SR 2,467 thousands).
- c) The premium ceded is to a related party reinsurer for a significant portion of the premiums written of one of the Company's major customers. The agreement has been submitted to SAMA and the reinsurer's share of unearned premium and outstanding claims are disclosed in the interim statement of financial position.

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At 30 September 2013

10 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 zakat and income tax payable accrued during the nine month period ended 30 September 2013 and for the year ended 31 December 2012 are as follows:

	<i>Zakat payable</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Income tax payable</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Total</i> <i>30 September 2013</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Total</i> <i>31 December 2012</i> <i>(Audited)</i> <i>SR'000</i>
At beginning of the period/year	27,376	2,930	30,306	15,437
Provided during the period/year	4,548	6,159	10,707	20,550
Payments during the period/year	(2,135)	(6,081)	(8,216)	(5,681)
Balance at end of the period/year	<u>29,789</u>	<u>3,008</u>	<u>32,797</u>	<u>30,306</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 liability of a combined SR 8.8 million as well as delay fine for each 30 days delay in payment of assessed additional taxes. The Company has filed an appeal against these revised assessments with the Preliminary Appeal Committee.

During 2012, the DZIT issued an initial assessment for the year 2011 with an additional zakat liability of SR 7.5 million. The Company has filed an appeal against this initial assessment and the final assessment for the year 2011 is awaited.

During 2013, the DZIT also issued an initial assessment for the year 2012 with an additional zakat liability of SR 11.5 million. The Company has filed an appeal against this initial assessment and the final assessment for the year 2012 is awaited.

11 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

11 SEASONALITY AND 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</i>		
	<i>30 September 2013</i>		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
Gross written premiums	609,050	293,588	902,638
Premiums ceded	(71,133)	(363)	(71,496)
Net written premiums	537,917	293,225	831,142
Movement in net unearned premiums	(96,137)	(32,038)	(128,175)
Net earned premiums	441,780	261,187	702,967
Gross claims paid	276,970	231,902	508,872
Claims recovered	(459)	(383)	(842)
Net claims paid	276,511	231,519	508,030
Movement in net outstanding claims	12,047	9,097	21,144
Net claims incurred	288,558	240,616	529,174
Net underwriting result	153,222	20,571	173,793
Unallocated income			3,686
Unallocated expenses			(99,973)
Surplus from insurance operations			77,506

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

11 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended</i>		
	<i>30 September 2012</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	256,613	210,316	466,929
Premiums ceded	(322)	(265)	(587)
Net written premiums	256,291	210,051	466,342
Movement in net unearned premiums	32,672	34,134	66,806
Net earned premiums	288,963	244,185	533,148
Gross claims paid	187,506	189,068	376,574
Claims recovered	-	(1,047)	(1,047)
Net claims paid	187,506	188,021	375,527
Movement in net outstanding claims	(2,521)	(2,527)	(5,048)
Net claims incurred	184,985	185,494	370,479
Net underwriting result	103,978	58,691	162,669
Unallocated income			3,760
Unallocated expenses			(78,520)
Surplus from insurance operations			87,909

	<i>For the nine-month period ended</i>		
	<i>30 September 2013</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	1,439,063	1,163,934	2,602,997
Premiums ceded	(71,684)	(1,052)	(72,736)
Net written premiums	1,367,379	1,162,882	2,530,261
Movement in net unearned premiums	(376,348)	(324,576)	(700,924)
Net earned premiums	991,031	838,306	1,829,337
Gross claims paid	760,011	702,095	1,462,106
Claims recovered	(459)	(383)	(842)
Net claims paid	759,552	701,712	1,461,264
Movement in net outstanding claims	20,235	17,211	37,446
Net claims incurred	779,787	718,923	1,498,710
Net underwriting result	211,244	119,383	330,627
Unallocated income			11,516
Unallocated expenses			(291,346)
Surplus from insurance operations			50,797

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

11 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the nine-month period ended 30 September 2012</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	901,826	940,840	1,842,666
Premiums ceded	(854)	(879)	(1,733)
Net written premiums	900,972	939,961	1,840,933
Movement in net unearned premiums	(126,585)	(140,179)	(266,764)
Net earned premiums	774,387	799,782	1,574,169
Gross claims paid	626,008	601,678	1,227,686
Claims recovered	-	(2,228)	(2,228)
Net claims paid	626,008	599,450	1,225,458
Movement in net outstanding claims	21,578	19,290	40,868
Net claims incurred	647,586	618,740	1,266,326
Net underwriting result	126,801	181,042	307,843
Unallocated income			8,977
Unallocated expenses			(224,367)
Surplus from insurance operations			92,453

	<i>As at 30 September 2013</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable, net	583,477	224,654	808,131
Reinsurer's share of unearned premium	56,644	-	56,644
Reinsurer's share of outstanding claims	11,421	-	11,421
Deferred policy acquisition costs	16,144	11,144	27,288
Unallocated assets			1,227,271
Total			2,130,755
Insurance operations' liabilities and surplus			
Unearned premiums	1,376,328	167,909	1,544,237
Outstanding claims	240,577	221,799	462,376
Unallocated liabilities and surplus			124,142
Total			2,130,755

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2013

11 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 31 December 2012</i>		
	Major <i>SR'000</i>	Non-major <i>SR'000</i>	Total <i>SR'000</i>
Insurance operations' assets			
Premiums receivable, net	215,830	19,429	235,259
Deferred policy acquisition costs	10,693	11,842	22,535
Unallocated assets			1,048,480
Total			1,306,274
Insurance operations' liabilities and surplus			
Unearned premiums	385,007	401,662	786,669
Outstanding claims	225,114	188,395	413,509
Unallocated liabilities and surplus			106,096
Total			1,306,274

12 DIVIDENDS

On 2 March 2013 the Company's board of directors proposed to pay a dividend, for the year ended 31 December 2012 of SR 1 per share totalling SR 40 Million to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 10 April 2013 (Corresponding to 29 Jamadi-Al-Awal 1434H). Accordingly, the dividend payment was made on 7 May 2013. The Saudi shareholders were paid their dividend in full and the non Saudi shareholders were paid dividend after adjusting the income tax in excess to the proportion of the Saudi Shareholders' zakat per share (see note 2a).

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

The Company, if applicable, 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 30 September 2013, all financial instruments which are fair valued are Level 1 instruments.

14 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 28 October 2013.