

**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 2014**

**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
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 September 30, 2014 and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, 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 1 to 15 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 Reporting issued by SOCPA.

Deloitte & Touche Bakr Abulkhair & Co.

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22 Dhul Hijjah 1435H
16 October 2014
Jeddah, Kingdom of Saudi Arabia

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 SEPTEMBER 2014

	<i>Notes</i>	<i>30 September 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	1,211,152	232,267
Murabaha deposits	5	1,040,688	956,230
FVIS investments	6	189,261	186,107
Prepayments and other assets		63,036	42,370
Premiums receivable – net	7	1,365,235	410,095
Reinsurer's share of unearned premiums		58,454	43,011
Reinsurer's share of outstanding claims	8	15,447	13,708
Deferred policy acquisition costs		40,074	32,200
Total insurance operations' assets		3,983,347	1,915,988
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	343,171	101,260
Murabaha deposits	5	44,633	126,993
FVIS investments	6	453,310	446,338
Other receivables		1,667	1,319
Furniture, fittings and equipment		56,919	43,059
Goodwill	3	98,000	98,000
Statutory deposit		40,000	40,000
Total shareholders' assets		1,037,700	856,969
TOTAL ASSETS		5,021,047	2,772,957


Chairman


Director and Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 15 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 2014

	<i>Notes</i>	<i>30 September 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		2,983,851	1,323,069
Outstanding claims	8	759,713	450,096
Reinsurance balance payable		4,478	505
		<u>3,748,042</u>	<u>1,773,670</u>
Accrued expenses and other liabilities		135,865	79,113
Obligation under Long-Term Incentive Plan (LTIP)		31,777	14,751
		<u>3,915,684</u>	<u>1,867,534</u>
Total insurance operations' liabilities		3,915,684	1,867,534
Policyholders' share of surplus from insurance operations		67,663	48,454
		<u>3,983,347</u>	<u>1,915,988</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		38,724	31,419
Accrued zakat and income tax	11	17,561	35,000
Amounts due to related parties	10	80,896	59,490
		<u>137,181</u>	<u>125,909</u>
Total shareholders' liabilities		137,181	125,909
Shareholders' equity			
Share capital		400,000	400,000
Shares held under employees' share scheme		(7,934)	(7,052)
Statutory reserve		88,491	88,491
Retained earnings		419,962	249,621
		<u>900,519</u>	<u>731,060</u>
Total shareholders' equity		900,519	731,060
		<u>1,037,700</u>	<u>856,969</u>
Total shareholders' liabilities and equity		1,037,700	856,969
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY			
		<u>5,021,047</u>	<u>2,772,957</u>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 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 nine month periods ended 30 September 2014

	Notes	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2014 SR'000</i>	<i>2013 SR'000</i>	<i>2014 SR'000</i>	<i>2013 SR'000</i>
REVENUE					
Gross written premiums		2,120,862	902,638	4,919,065	2,602,997
Premiums ceded		(77,638)	(71,496)	(80,386)	(72,736)
Net written premiums		2,043,224	831,142	4,838,679	2,530,261
Net movement in unearned premiums		(726,730)	(128,175)	(1,645,339)	(700,924)
Net earned premiums		1,316,494	702,967	3,193,340	1,829,337
CLAIMS					
Claims paid		822,872	508,872	2,257,267	1,462,106
Claims recovered		(844)	(842)	(844)	(842)
Net movement in outstanding claims	8	155,282	21,144	307,878	37,446
Net claims incurred		977,310	529,174	2,564,301	1,498,710
Net underwriting result		339,184	173,793	629,039	330,627
Investment and commission income		4,692	3,630	13,665	11,275
Other income	9	9,605	56	12,665	241
EXPENSES					
Selling and marketing		(95,309)	(57,996)	(261,934)	(164,865)
General and administrative		(81,196)	(41,977)	(201,343)	(126,481)
SURPLUS FROM INSURANCE OPERATIONS		176,976	77,506	192,092	50,797
Shareholders' share of surplus from insurance operations	2(a)	(159,279)	(72,426)	(172,883)	(45,717)
Policyholders' share of surplus from insurance operations		17,697	5,080	19,209	5,080
Policyholders' share of surplus from insurance operations at the beginning of the period		49,966	33,935	48,454	33,935
Policyholders' share of accumulated surplus from insurance operations at the end of the period		67,663	39,015	67,663	39,015

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 15 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 nine month periods ended 30 September 2014

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2014 SR'000</i>	<i>2013 SR'000</i>	<i>2014 SR'000</i>	<i>2013 SR'000</i>
REVENUE				
Shareholders' share of surplus from insurance operations	159,279	72,426	172,883	45,717
EXPENSES				
General and administrative	(1,237)	(2,205)	(3,943)	(5,564)
	<u>158,042</u>	<u>70,221</u>	<u>168,940</u>	<u>40,153</u>
Investment income	2,307	3,785	8,464	15,651
Net income for the period	<u>160,349</u>	<u>74,006</u>	<u>177,404</u>	<u>55,804</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>39,797</u>	<u>39,720</u>	<u>39,768</u>	<u>39,748</u>
Basic and diluted income per share (in Saudi Arabian Riyals)	<u>4.03</u>	<u>1.86</u>	<u>4.46</u>	<u>1.40</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 nine month periods ended 30 September 2014

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2014 SR'000</i>	<i>2013 SR'000</i>	<i>2014 SR'000</i>	<i>2013 SR'000</i>
Net income for the period	160,349	74,006	177,404	55,804
Other comprehensive income/(expense)				
Provision for zakat (Note 11)	(2,034)	(1,623)	(7,950)	(4,548)
Reversal of prior year zakat provision during the period (Note 11)	-	-	26,323	-
Provision for income tax (Note 11)	(4,800)	(2,328)	(11,618)	(6,159)
Income tax recovered from non-Saudi shareholders during the period	-	-	6,182	6,012
Total comprehensive income for the period	153,515	70,055	190,341	51,109

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 three-month and nine month periods ended 30 September 2014

		<i>Shares held under employees'</i>				
	<i>Notes</i>	<i>Share capital SR'000</i>	<i>share scheme SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2013 (Audited)		400,000	(7,052)	88,491	249,621	731,060
Net income for the period		-	-	-	177,404	177,404
Purchase of additional shares held under LTIP			(3,761)			(3,761)
Partial sale of shares held under LTIP		-	2,879	-	-	2,879
Provision for zakat	11	-	-	-	(7,950)	(7,950)
Reversal of prior year zakat provision during the period	11	-	-	-	26,323	26,323
Provision for income tax	11	-	-	-	(11,618)	(11,618)
Dividend	13	-	-	-	(20,000)	(20,000)
Tax recovered from non-Saudi shareholders		-	-	-	6,182	6,182
Balance at 30 September 2014 (Unaudited)		400,000	(7,934)	88,491	419,962	900,519

		<i>Shares held under employees'</i>				
	<i>Notes</i>	<i>Share capital SR'000</i>	<i>share scheme SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
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
Provision for zakat	11	-	-	-	(4,548)	(4,548)
Provision for income tax	11	-	-	-	(6,159)	(6,159)
Dividends	13	-	-	-	(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

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 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 three-month and nine month periods ended 30 September 2014

	Notes	Nine-month period ended 30 September	
		2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)
OPERATING ACTIVITIES			
Policyholders' share of income for the period		19,209	5,080
Adjustments for:			
Depreciation		8,974	9,955
Allowance for doubtful premiums receivable – net	7	16,532	16,689
Realised gain on disposal of investments	6	(1,349)	(373)
Unrealised gain on investments	6	(3,154)	(3,058)
		<u>40,212</u>	<u>28,293</u>
Changes in assets and liabilities:			
Premiums receivable		(971,672)	(589,561)
Prepayments and other assets		(20,666)	(12,043)
Unearned premiums		1,660,782	757,568
Reinsurer's share of unearned premiums		(15,443)	(56,644)
Deferred policy acquisition costs		(7,874)	(4,753)
Outstanding claims		309,617	48,867
Reinsurer's share of outstanding claims		(1,739)	(11,421)
Due from shareholders' operations		(8,974)	(80,814)
Reinsurance balances payable		3,973	230
Accrued expenses and other liabilities		56,752	10,199
Obligation under Long-Term Incentive Plan		17,026	2,537
		<u>1,061,994</u>	<u>92,458</u>
INVESTING ACTIVITY			
Purchase of investments		(660,901)	(212,210)
Disposal of investments		662,250	226,830
Murabaha deposits, net		(84,458)	40
		<u>(83,109)</u>	<u>14,660</u>
Net cash (used in) / generated from investing activity			
		<u>978,885</u>	<u>107,118</u>
Net movement in cash and cash equivalents			
		<u>232,267</u>	<u>204,533</u>
Cash and cash equivalents at beginning of the period			
		<u>1,211,152</u>	<u>311,651</u>
Cash and cash equivalents at end of the period	4		

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 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 three-month and nine month periods ended 30 September 2014

	Notes	Nine-month period ended 30 September	
		2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)
OPERATING ACTIVITIES			
Net income for the period		177,404	55,804
Adjustment for:			
Unrealised gain on investments	6	(6,972)	(15,989)
Realised gain on investments		(168)	-
		<u>170,264</u>	<u>39,815</u>
Changes in assets and liabilities:			
Accrued expenses and other liabilities		7,305	6,323
Amounts due to related parties		21,406	66,552
Amount due to a related party in respect of goodwill		-	(3,355)
Due to insurance operations		8,974	80,814
Other receivables		(348)	(479)
		<u>207,601</u>	<u>189,670</u>
Zakat and income tax paid	11	(10,684)	(8,216)
Net cash generated from operating activities		<u>196,917</u>	<u>181,454</u>
INVESTING ACTIVITY			
Purchase of furniture, fittings and equipment		(22,834)	(4,376)
Purchase of investments		(127,676)	-
Disposal of investments		127,844	-
Murabaha deposits, net		82,360	(126,705)
Purchase of shares held under LTIP		(3,761)	(2,064)
Partial sale of shares held under LTIP		2,879	-
Net cash generated from/(used in) investing activity		<u>58,812</u>	<u>(133,145)</u>
FINANCING ACTIVITIES			
Dividends paid	13	(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>
Net movement in cash and cash equivalents		<u>241,911</u>	<u>14,321</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>343,171</u>	<u>27,952</u>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 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 nine month periods ended 30 September 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. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

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

Shareholders	90%
Policyholders	10%
	<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 2014

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

a. BASIS OF PREPARATION (continued)

In accordance with Article 70 of the Saudi Arabian Monetary Agency (“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. The adoption of new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations 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, which were issued by the International Accounting Standards Board (IASB):

<i>Standard</i>	<i>Description</i>
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 and Joint Ventures
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 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 21	Levies

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

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

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 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>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments	To be announced
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 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016

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

3 AMOUNT DUE TO A RELATED PARTY IN RESPECT OF GOODWILL

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

As per the terms of the agreement with the Seller, the Seller is also eligible for additional goodwill consideration of SR 3,355 thousand. During 2013, the Company received SAMA's letter, approving the settlement of the final goodwill consideration of SR 3,355 thousand and accordingly settled the amount with the Seller.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised of the following:

	<i>30 September 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>1,211,152</u>	<u>232,267</u>
<i>Shareholders' Operations</i>		
Cash in banks (see note 6 (a))	<u>343,171</u>	<u>101,260</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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.

Murabaha deposits comprised the following:

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Murabaha deposits	956,230	1,082,935
Murabaha deposits matured during the period/year	(1,429,032)	-
Murabaha deposits placed during the period/year	1,513,490	-
Transferred to shareholders' operations (see note 6(a))	-	(126,705)
	<u>1,040,688</u>	<u>956,230</u>
	<u><u>1,040,688</u></u>	<u><u>956,230</u></u>
	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Shareholders' Operations</i>		
Murabaha deposits	126,993	-
Murabaha deposits matured during the period/year	(271,545)	(126,705)
Murabaha deposits placed during the period/year	189,185	126,993
Transferred from insurance operations (see note 6(a))	-	126,705
	<u>44,633</u>	<u>126,993</u>
	<u><u>44,633</u></u>	<u><u>126,993</u></u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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6 FVIS INVESTMENTS

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

	<i>30 September</i> <i>2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>SR'000</i>
Insurance Operations	189,261	186,107
Shareholders' Operations	453,310	446,338
	<u>642,571</u>	<u>632,445</u>

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

The movements in the investments during the period ended 30 September 2014 and during the year ended 31 December 2013 are as follows:

<i>Insurance Operations</i>	<i>30 September</i> <i>2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>SR'000</i>
Balance at beginning of the period/year	186,107	87,821
Purchased during the period/year	660,901	249,490
Disposed during the period/year	(662,250)	(226,830)
Transferred from shareholders' operations (see note (a) below)	-	70,859
Realised gain during the period/year	1,349	373
Unrealised gain during the period/year	3,154	4,394
Balance at end of the period/year	<u>189,261</u>	<u>186,107</u>
<i>Shareholders' Operations</i>	<i>30 September</i> <i>2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>SR'000</i>
Balance at beginning of the period/year	446,338	497,158
Purchased during the period/year	127,676	-
Disposed during the period/year	(127,844)	-
Transferred to insurance operations (see note (a) below)	-	(70,859)
Realised gain during the period/year	168	-
Unrealised gain during the period/year	6,972	20,039
Balance at end of the period/year	<u>453,310</u>	<u>446,338</u>

- a) Amount payable to/receivable from shareholders' operations are settled by transfer of cash, murabaha deposits or FVIS investments, as the case may be, of an equivalent amount representing fair value between the operations at each reporting date. At 30 September 2014, the insurance' operations transferred cash of SR 199.6 million to the shareholders' operations (31 December 2013: the insurance operations transferred FVIS investments of SR 70.9 million, murabaha deposits of SR 126.7 million and cash of SR 73.8 million to the shareholders' operations).

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At 30 September 2014

7 PREMIUMS RECEIVABLE - NET

	<i>30 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Gross premiums receivable	1,434,096	462,645
Allowance for doubtful premiums receivable	(68,861)	(52,550)
Premiums receivable – net	<u>1,365,235</u>	<u>410,095</u>

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

	<i>31 September 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at beginning of the period/year	52,550	44,548
Provision made during the period/year	16,532	8,789
Provision utilised during the period/year	(221)	(787)
Balance at end of the period/year	<u>68,861</u>	<u>52,550</u>

8 MOVEMENT IN NET OUTSTANDING CLAIMS

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>
<i>Insurance Operations</i>				
Outstanding claims at end of the period	759,713	462,376	759,713	462,376
Outstanding claims at beginning of the period	(600,890)	(429,811)	(450,096)	(413,509)
	<u>158,823</u>	<u>32,565</u>	<u>309,617</u>	<u>48,867</u>
Reinsurer's share of outstanding claims at end of the period	(15,447)	(11,421)	(15,447)	(11,421)
Reinsurer's share of outstanding claims at beginning of the period	11,906	-	13,708	-
	<u>(3,541)</u>	<u>(11,421)</u>	<u>(1,739)</u>	<u>(11,421)</u>
Movement in net outstanding claims	<u>155,282</u>	<u>21,144</u>	<u>307,878</u>	<u>37,446</u>

9 OTHER INCOME

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

10 TRANSACTIONS WITH RELATED PARTIES

In addition to transactions disclosed in notes 3 and 6, following are details of major related party transactions during the three month period ended 30 September 2014 and 30 September 2013, and the related balances at the respective period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Nine-month period ended 30 September 2014 (Unaudited) SR'000 (Unaudited)</i>	<i>Nine-month period ended 30 September 2013 (Unaudited) SR'000 (Unaudited)</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	17,191	43,993
Shareholders	Premiums ceded (see note (a) below)	75,570	70,706
Shareholders	Claims paid	4,163	16,331
Shareholders	Medical cost payments to a provider (see note (b) below)	-	119,305
Shareholders	Expenses recharged to a related party (see note (c) below)	1,723	-
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note (d) below)	7,995	1,845
Key management personnel	Short-term benefits	8,519	8,184
	Long-term benefits	2,403	2,534
<i>Shareholders' Operations</i>			
Bupa Middle East Limited E.C. (Related party)	Payment in respect of goodwill consideration (note 3)	-	3,355

- a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the Company's major customers. The reinsurer's share of unearned premiums and outstanding claims are disclosed in the interim statement of financial position.
- b) The related party was 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. During 2014, the related party sold its holding in the Company, therefore, not a related party as of 30 September 2014.
- c) Certain employees of the Company, during the nine month period ended 30 September 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 1,723 thousand 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) Amounts due to/from related parties are disclosed in the interim statement of financial position. Premiums receivable - net, includes premiums receivable from related parties amounting to SR 1,512 thousand (31 December 2013: nil).

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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 payable accrued during the nine month period ended 30 September 2014 and during the year ended 31 December 2013 are as follows:

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 30, September 2014 (Unaudited) SR'000</i>	<i>Total 31 December 2013 (Audited) SR'000</i>
At beginning of the period/year	31,324	3,676	35,000	30,306
Provided during the period/year	7,950	11,618	19,568	14,430
Reversal of prior year provisions during the period/year	(26,323)	-	(26,323)	-
Payments during the period/year	(2,891)	(7,793)	(10,684)	(9,736)
Balance at end of the period/year	<u>10,060</u>	<u>7,501</u>	<u>17,561</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 liability 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 liabilities of SR 7.5 million, 11.5 million and 12.4 million respectively. The Company has filed an appeal against these assessments and the final conclusions are awaited.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

12 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, the obligation under LTIP and policyholders' share of surplus from insurance operations.

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

	<i>For the three-month period ended 30 September 2014 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Gross written premiums	1,692,873	427,989	2,120,862
Premiums ceded	(76,684)	(954)	(77,638)
Net written premiums	1,616,189	427,035	2,043,224
Movement in net unearned premiums	(891,331)	164,601	(726,730)
Net earned premiums	724,858	591,636	1,316,494
Gross claims paid	484,142	338,730	822,872
Claims recovered	(497)	(347)	(844)
Net claims paid	483,645	338,383	822,028
Movement in net outstanding claims	145,238	10,044	155,282
Net claims incurred	628,883	348,427	977,310
Net underwriting result	95,975	243,209	339,184
Unallocated income			14,297
Unallocated expenses			(176,505)
Surplus from insurance operations			176,976

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

12 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 September 2013</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
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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At 30 September 2014

	<i>For the nine-month period ended 30 September 2014 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	3,287,807	1,631,258	4,919,065
Premiums ceded	(78,277)	(2,109)	(80,386)
Net written premiums	3,209,530	1,629,149	4,838,679
Movement in net unearned premiums	(1,261,668)	(383,671)	(1,645,339)
Net earned premiums	1,947,862	1,245,478	3,193,340
Gross claims paid	1,324,939	932,328	2,257,267
Claims recovered	(497)	(347)	(844)
Net claims paid	1,324,442	931,981	2,256,423
Movement in net outstanding claims	262,963	44,915	307,878
Net claims incurred	1,587,405	976,896	2,564,301
Net underwriting result	360,457	268,582	629,039
Unallocated income			26,330
Unallocated expenses			(463,277)
Surplus from insurance operations			192,092

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

12 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<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

	<i>As at 30 September 2014 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – net	1,058,162	307,073	1,365,235
Reinsurer's share of unearned premiums	58,454	-	58,454
Reinsurer's share of outstanding claims	15,447	-	15,447
Deferred policy acquisition costs	25,944	14,130	40,074
Unallocated assets	-	-	2,504,137
Total			3,983,347
Insurance operations' liabilities and surplus			
Unearned premiums	1,994,347	989,504	2,983,851
Outstanding claims	501,002	258,711	759,713
Unallocated liabilities and surplus	-	-	239,783
Total			3,983,347

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

12 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 31 December 2013 (Audited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Insurance operations' assets			
Premiums receivable - net	240,554	169,541	410,095
Reinsurer's share of unearned premiums	43,011	-	43,011
Reinsurer's share of outstanding claims	13,708	-	13,708
Deferred policy acquisition costs	17,456	14,744	32,200
Unallocated assets	-	-	1,416,974
Total			1,915,988
Insurance operations' liabilities and surplus			
Unearned premiums	717,236	605,833	1,323,069
Outstanding claims	236,300	213,796	450,096
Unallocated liabilities and surplus	-	-	142,823
Total			1,915,988

13 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.

14 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

The Company's financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, investments, amounts due from related parties and other receivables and its financial liabilities consist of outstanding claims, reinsurance balances payable, obligated under LTIP, policyholders' share of surplus from insurance operations, amounts due to related parties and certain other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 30 September 2014 and 31 December 2013, apart from the investments which are carried at fair value (note 6), there were no other financial instruments held by the Company that were measured at fair value.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2014

14 FAIR VALUES 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 30 September 2014 and 31 December 2013, all financial instruments which are fair valued are Level 2 instruments. There were no transfers between levels during the nine month period ended 30 September 2014 and year ended 31 December 2013.

15 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 16 October 2014.