

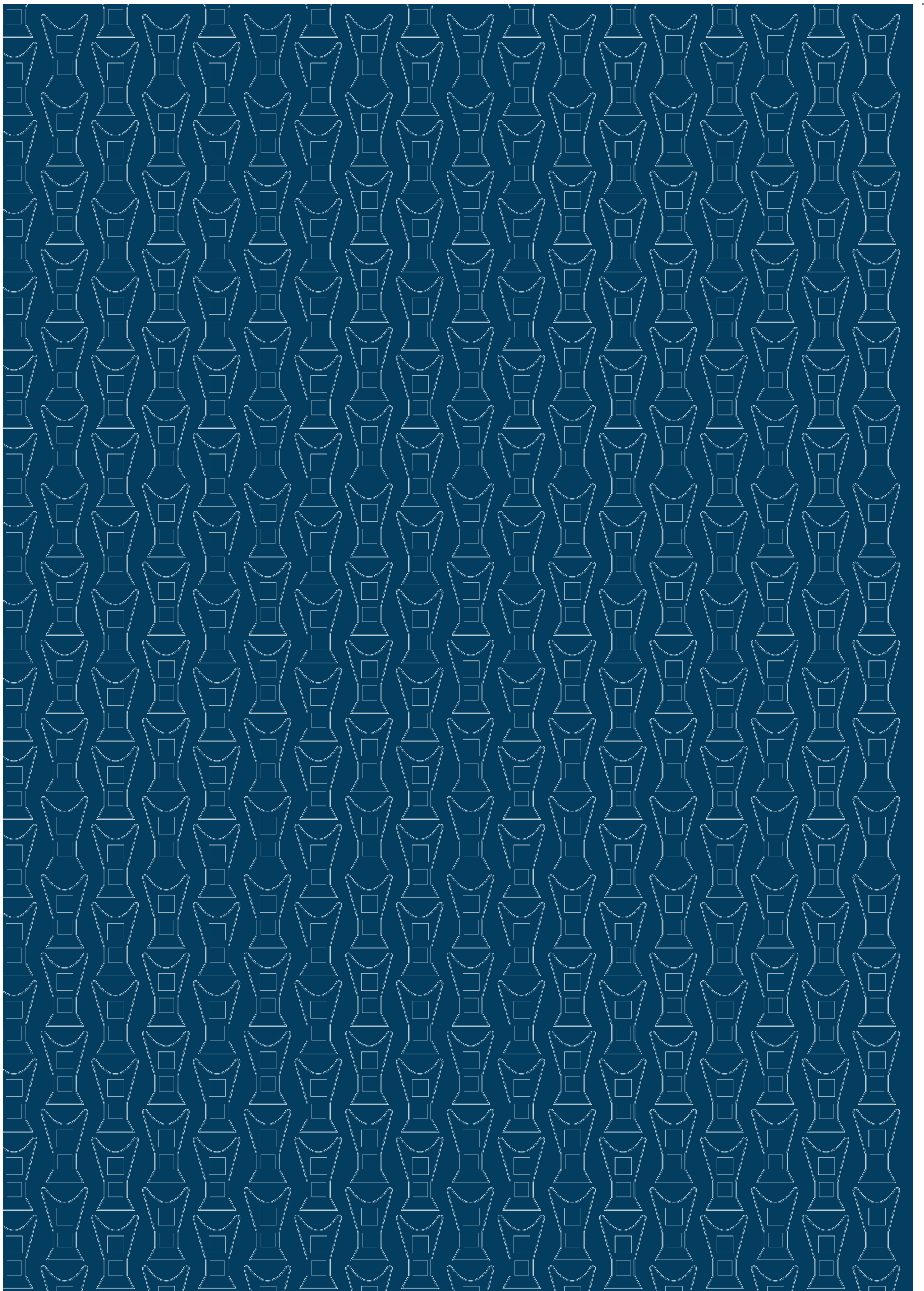


ANNUAL REPORT 2013

WORKING TOGETHER FOR HEALTHIER AND HAPPIER LIVES

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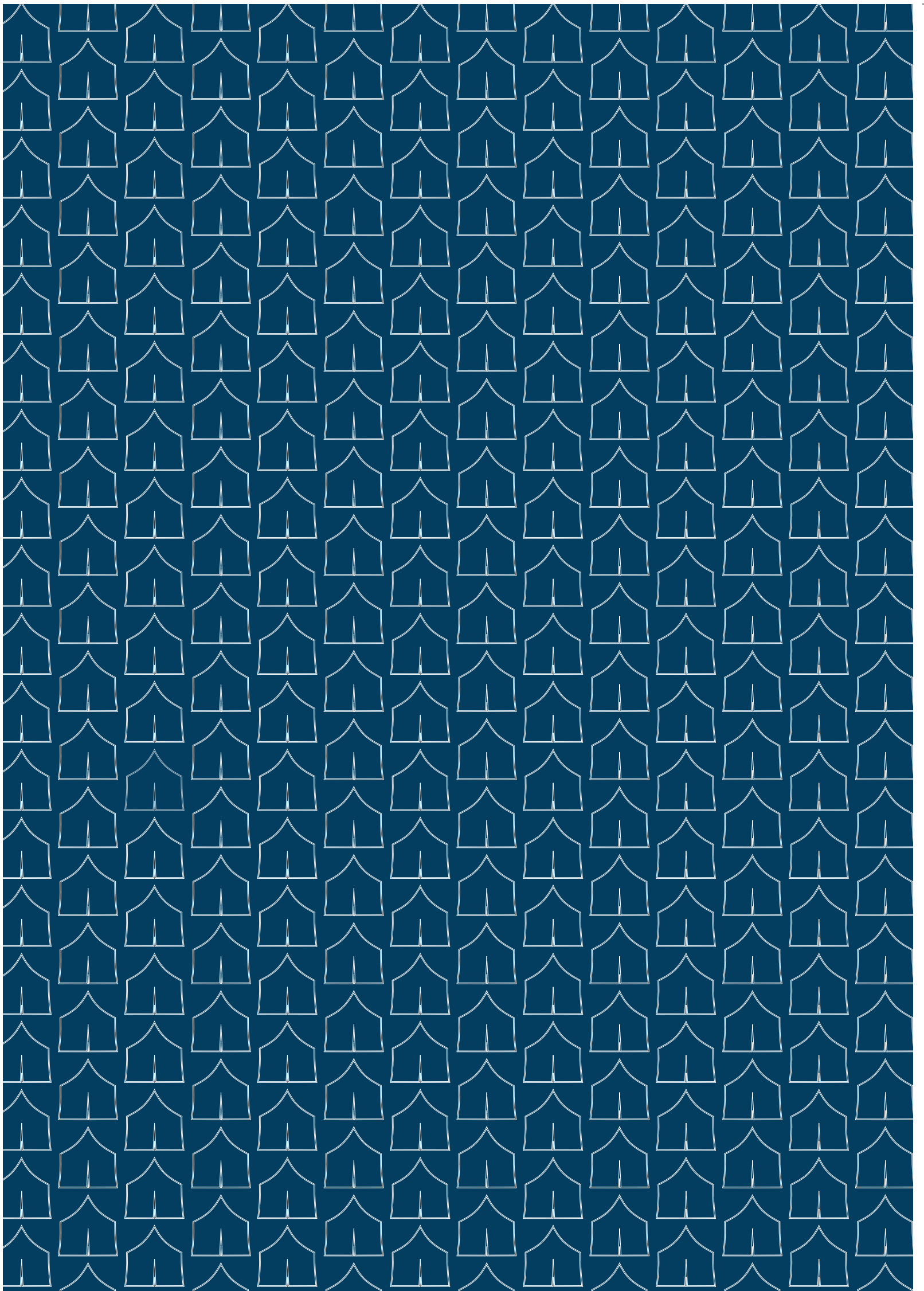
King Abdullah bin Abdulaziz Al Saud
Custodian of the Two Holy Mosques



Crown Prince Salman bin Abdulaziz Al Saud
First Deputy Prime Minister
and Minister of Defense

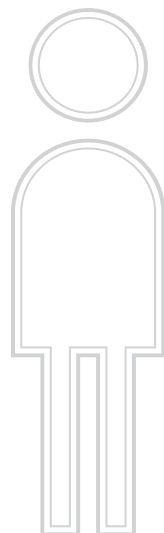


Prince Muqrin bin Abdulaziz Al Saud
Second Deputy Prime Minister,
King Abdullah's Advisor
and Special Envoy



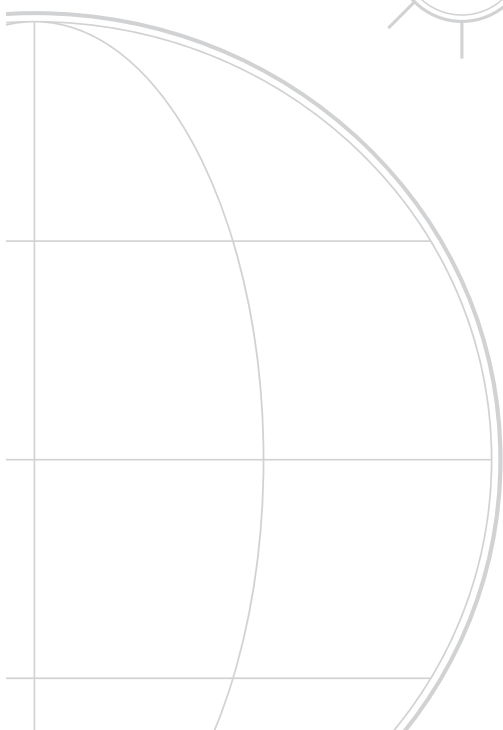


BUPA ARABIA ANNUAL REPORT 2013



CONTENTS

2	Our Mission and Values
3	Chairman's Message
4-5	CEO's Message
7-9	Board Members' Profile
10	Bupa Arabia Competitive Advantages
11	Bupa Group
12	Bupa Around the World
13	Unique Health Services
14	Recognizing Our Care
15-36	Board Report
37-72	Financial Statements



OUR MISSION

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

OUR VALUES

DEDICATED

We are dedicated to providing a professional, reassuring service and seek opportunities to go the extra mile to exceed people's expectations.

ETHICAL

We are committed to acting responsibly and in the best interest of people and the environment.

ACCOUNTABLE

We are accountable for the quality, efficiency and value of our services, and act in the best interest of our customers.

CARING

We genuinely care about people's health and wellbeing.
We exist for no other reason.

ENABLING

We empower people with our knowledge and experience to help them choose the most appropriate solutions.

RESPECTFUL

We respect people's individuality, privacy and dignity and try to respond to their individual needs.





OUR PURPOSE REMAINS TO HELP PEOPLE LIVE LONGER, HEALTHIER AND HAPPIER LIVES.”

Eng. Loay Hisham Nazer
Chairman



CHAIRMAN'S MESSAGE

2013 will prove to have been something of a watershed year for the insurance industry in the Kingdom.

The insurance sector accumulated record losses of SR1.2b, with the vast majority of participants either losing money and/or having depleted a significant part of their founding capital. SAMA is subsequently playing a strong hand on many fronts - in ensuring that prices are in line with actuarial recommendations, that past claims experience are released to quoting companies, and that companies reserve appropriately in line with SAMA's guidelines. We anticipate that this will restore a more consistent and profitable pricing regime in the Kingdom, though it will take some time to recover the recent damage to market prices and consumer confidence. It is also likely that there will be some consolidation in the industry, and we support a more robust and professional competitive environment for the benefit of all stakeholders. We recognize and welcome the valuable work that our Regulators are performing to develop the industry and facilitate growth in a transparent, robust and sustainable way. We have been proud to be part of the re-write of the CCHI rules and look forward to the improved benefits and protection our customers can enjoy going forward.

The Health Insurance sector continued to grow at a steady rate of growth in 2013, with written premiums growing some 15%.

The legalisation of the expatriate workforce particularly brought significantly more lives into the insurance market, some 2m extra (plus 25%) according to CCHI. We anticipate that there will remain a healthy organic growth in the Health Insurance market, bringing the penetration of insurance more in line with world standards, due to a combination of:

- The continued population growth in the kingdom

- The strength of the economy and expansion of the workforce
- The growing burden of chronic diseases
- The opening up in time of greater coverage for elements of the Saudi population who will demand better products and services to meet their changing needs.

Bupa Arabia continues to operate as the only significant single line insurer in the Kingdom and has delivered overall exceptional results in 2013 that we are very proud of.

During the recent years of a difficult market environment, Bupa Arabia stayed true to its values and focussed on improving our differentiation and clinical credentials as a healthcare leader. The written premium of Bupa Arabia surged in the latter part of 2013 as the market environment became more accommodating to appropriate pricing – our full year written premium rose some 45%, up SR1b on the prior year. We see this as testament to our strategy of investing in our valued products, channels and services to all our existing and potential customers. The business delivered a pre-tax/zakat result of some SR147m, maintaining our consistent track record of profitable growth and in so doing became the most profitable insurer in the Kingdom.

Bupa Arabia continues to adhere to global best practice in terms of its Governance infrastructure.

With a very stable Board and supporting committees, we have been able to focus on continuous improvement and ensuring compliance with a sound set of supporting policies and the application of the “3 lines of defence” model. The company values, ethics and mission are all fully aligned with the Regulatory and Corporate governance requirements.

Bupa Arabia is committed to sustainability and being a socially respon-

sible partner and is focussed on helping to promote and develop the healthcare capability in the Kingdom.

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

We have recently sampled the key healthcare statistics of 90% of our employees with a commitment to improve them significantly in 2014. We have hired gym instructors and are currently running free classes in our gymnasiums to encourage people to action. We are equally passionate about our CSR activities and achievements. In 2013 we completed the coverage of 3000 orphans in the Kingdom, whereby we provide them with free, top quality health insurance cover. Bupa Arabia believes in the “service profit chain” and that a key driver of value is to have our people engaged, equipped and motivated to serve. We continue therefore to invest in training, development, culture, capability and living the values of the organisation.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all our employees and the leadership team of the business for delivering a set of results which significantly exceeded our expectations. This Annual Report includes an overview of some of the important achievements made during 2013.

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

Eng. Loay Hisham Nazer

“

2013 IS WITHOUT A DOUBT THE YEAR OF THE MOST DISRUPTIVE INNOVATION IN THE HISTORY OF BUPA ARABIA.”

Tal Nazer
CEO



CEO'S MESSAGE

Delivering value to our customers is our driving focus and motivation.

Only by serving them well in the pursuit of a longer, healthier and happier life can we justify our premium. At Bupa Arabia we understand that our only sustainable advantage is the value of our proposition and quality and commitment of our customer facing staff – mindset is everything.

Performance Headlines:

- Bupa Arabia achieved some very encouraging results in 2013. The top line grew by 45% (70% in the last 3 quarters) in terms of written premium, improving our Market share of the Health sector by 5 points to stand at 25% at the year end.
- Over the course of the year we increased our number of lives covered by 42%, by winning key accounts such as MOFA, Mobily and Saudia Ground Services.
- The Riyadh region continues to be a focus area for us, where we deployed additional resources and capabilities to support the business growth and as a result the Riyadh region grew 70% versus 2012.
- The loss ratio secured in 2013 was 80% (claims as a proportion of earned premium), the same as in 2012, which was a great result in a market where loss ratio for medical insurance hit 94% by end of 2013.
- Our pre-tax/zakat profits improved by 10%, to SR147m. However, in 2013 our results were favourably impacted by a release of Bad Debt Provision (BDP), due to the transition caused by Article 69 (SAMA regulations). Therefore, when we put to one side the impact of BDP in both years, the underlying profits grew by 37%.
- We also strengthened our balance sheet over the year, by increasing our cash and investments by 33%, to stand at over SR2b by year-end.

Market Dynamics

We witnessed at the end of the first quarter 2013 a much more favourable environment in terms of industry pricing. Due to a combination of reasons, we are now entering a climate of a more transparent and stable pricing regime in the health sector, which will enable Bupa Arabia to compete more on its service proposition and healthcare differentiation than on pure price alone. This has allowed us win well after the end of Q1 2013, both in terms of renewing existing customers and attracting new members to Bupa. Additionally, we saw the beneficial impact of the tightening of the work status of expatriates and Saudisation initiatives, with more than 2 million entering the medical insurance market in 2013. We have revamped our Retail sales model which resulted in improved acquisition and retention. We have created a Corporate “Back-office” capability which was implemented to optimize and improve the efficiency of our sales-force to enable them to spend more time with the customer and to understand their needs and always act as their trusted advisors.

Claims Management

The Kingdom still continues to suffer from the lack of a broader based, readily accessible and outcomes-focussed provider capability (hospitals and clinics). Whilst we endorse the significant additional capacity being built and planned for the Kingdom, we are concerned about the adequacy and availability of the clinical staff necessary to operate these facilities to international standards. In the short to medium term there is little incentive for some providers to do much more than raise prices for facilities that are already fully stretched. The prevalence of fraud and abuse within some of the provider community continues to be one of our main drivers of premium inflation for our customers.

Whilst we attempt to tackle these issues to the best of our ability, these problems warrant better regulatory control, alignment amongst the industry participants and greater contestability. However, our claims management capability proved to be the best in the market delivering excellent value to our policyholders. The claims in the health market grew by 35% in 2013 while Bupa Arabia's grew only at 23% in a year where our top lines grew 45%. Key competitors' health claims grew by 54% and 42%.

Service Delivery Operations

Bupa Arabia continued to stay ahead of the game by sustaining and enhancing further its service strategy through the “Up Your Service Passion” program. Indeed, more than 200 additional front line staff have been certified in this approach. This service culture programs continued to run across not just different departments in Jeddah but also included more staff from the Central and the Eastern regions. We have conducted a second round of our Customer Experience benchmarking versus the competition and have chosen 20 critical touch points to focus on. The results showed a significant gap created in terms of service delivery in our favour. In order to consolidate further this advantage, 10 Focused Improvement Projects have been launched and implemented such as on Enrolments, Pre-approval and Customer Service processes. The overall satisfaction index increased significantly from 71% to 78% during 2013 despite the considerable growth in lives and the inception of several demanding “mega” accounts. These programs also are driving up the service culture mindset and we have recognized several “services heroes” who have gone significantly above and beyond the call of duty to serve our customers.

Healthcare Operations

2013 is without a doubt the year of the most disruptive innovation in the history of Bupa Arabia.

We have introduced for the first time in the healthcare industry a range of novel services that have created a real foundation of differentiation. These services include, among others: medication refill for chronic patients, chronic disease management, medical helpline and Inpatients service reviews.

Provider Network

We have consolidated our position as the number one company who offers the largest network in the industry, whilst also maintaining a focused strategy in terms of claims and fraud management. All the requirements of Mega accounts have been implemented swiftly and in record time and as a result, 170 healthcare providers were added in just 2 months.

Information Technology

We continued our program of improving our current systems through enhancement of many areas, especially enrolments, pre-approvals and finance systems. We have also launched innovative systems such as the command centre, which is

allowing a live monitoring of our services at the vital point of care delivery (the hospital). We have also finalized the first version of mapping of our processes in preparation for the revamp of our core system in the mid-term. We have also prepared the ground for the implementation of a new CRM system.

Lifting the Capability and Engagement of our People

Bupa Arabia is also proud of the values of its people and the culture of its working environment. We continue to invest in development and are committed to driving towards a high performance culture and have embraced the "Break-through" culture of a winning mind set, as shared by our Bupa colleagues worldwide. This positive environment has been validated externally by the winning of seven awards in 2013, including:

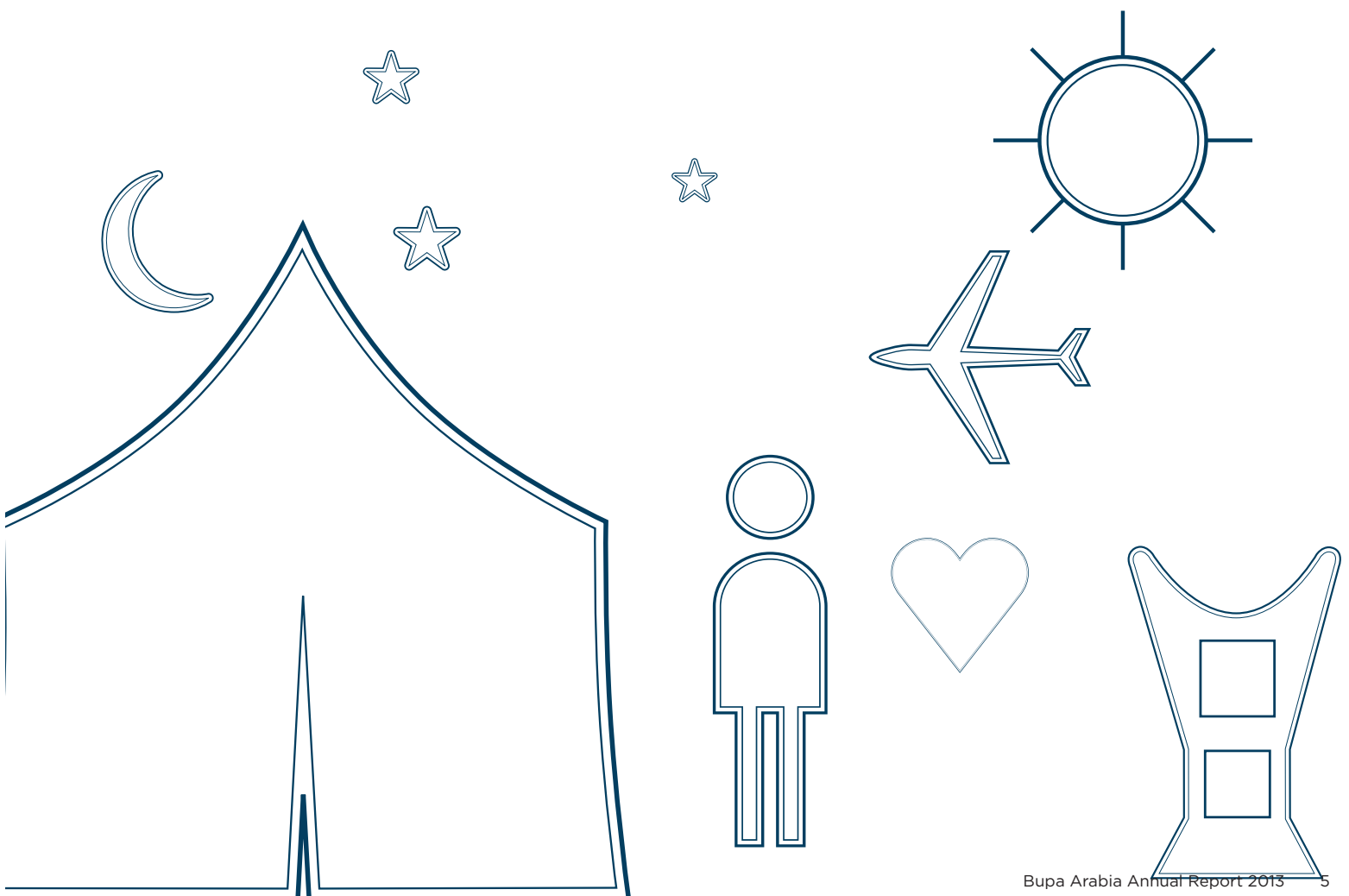
- Best Saudi Company to Work for "For Women"
- 8th Best Saudi Company, Large Companies Category
- Call Centre of the Year
- Best CSR initiative

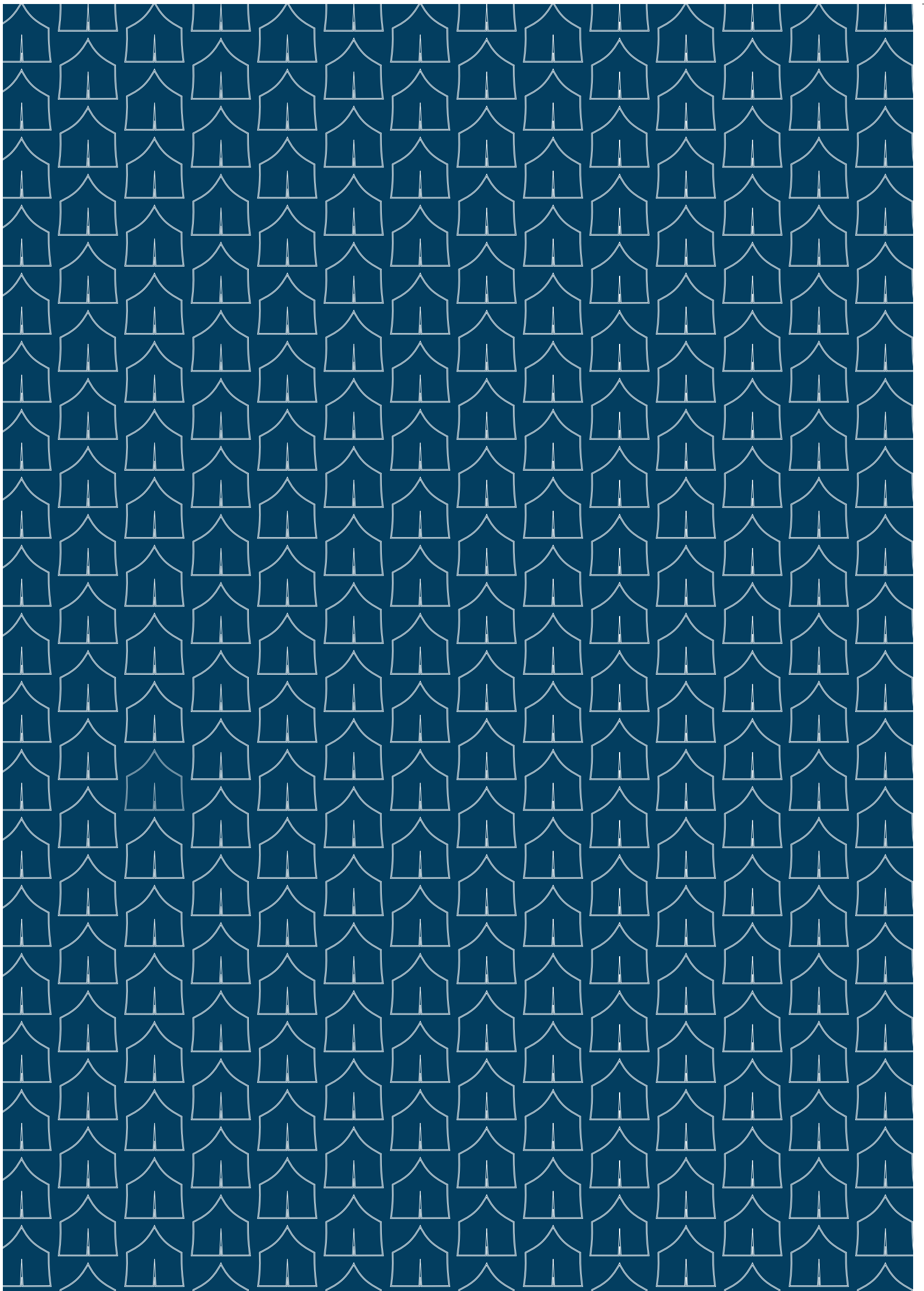
In 2013, we implemented a full review of our compensation structure to position ourselves competitively in a challenging employment market. We

also launched a revamped HR Policy aimed at creating a fair and consistency set of practices across the company. Bupa Arabia continues to drive its Saudisation agenda which closed the year in the "platinum" category.

I would like to personally thank the colleagues who represent Bupa Arabia every-day, be they our customer service agents, hospital delegates or service doctors who wonderfully represent our company, our proposition, our brand and our values. Without them and the support staff we would not have secured the success that we did in 2013. I believe Bupa Arabia has never been stronger and we are well placed to continue to grow our business successfully and profitably. Our focus is to always deliver more, irrespective of our competitors, and we believe the needs of the Kingdom, the aims of our Regulators and the desires of our customers are in alignment. I invite you to study this Annual Report to get a more detailed insight into our performance during 2013.

Tal Hisham Nazer







**BUPA
ARABIA
BOARD
MEMBERS**



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

Loay Hisham Nazer is the founder and Chairman of Nazer. Mr. Nazer started and continues to operate several companies in a variety of businesses including, health insurance, hospital procurement solutions, Dialysis Clinics, public relations, and asset management. He is also the Chairman of Bupa Arabia, a publicly listed company on the Saudi stock exchange that specializes in health insurance. The company operates in Saudi Arabia, the GCC countries and across the Middle East. Mr. Nazer has a B.S. in Mechanical Engineering from the University of California in Los Angeles (UCLA, 1987) and received his Masters Degree in Business Administration (MBA) from the Anderson Graduate School of Management at UCLA (1989). In June 2005, Nazer was awarded an Honorary Doctorate of Humane Letters from Goodwin College in Connecticut, USA.

In 2013, Mr. Nazer was invited to join the Board of Visitors of the UCLA Anderson School of Management. Mr. Nazer was elected to serve as the Chairman of the International Board of Directors for the year 2006-2007 of the Young Presidents' Organization, a global non-profit organization of over 16,000 Chairmen and CEOs under the age of 50. He has made lasting impressions on the international organization with such profound contributions as "YPO Making a Difference." In October 2013, Mr. Nazer was appointed by the President of the Saudi Arabian Olympic Committee as Chairman of the Saudi Arabian Judo Federation for 3 years, and was elected by the Saudi Olympic General Assembly as a Board Member.

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

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

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

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

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

Mr. Tal Hisham Nazer has been the Chief Executive Officer of Bupa Arabia since 2008. Leading this top and fast growing specialized health care company to higher standards, he is involved with regulators, healthcare providers and the insured. He is a Board member of Arabian Medical Marketing Co. Ltd Nawah and the Chairman of the Saudi Arabia Monetary Agency (SAMA) Insurance General Committee.

Mr. Tal Nazer is also a Board Member of the Human Resources Development Fund (HADDF) and a member of the Young Presidents Organization (YPO) and Young Global Leaders (YGL).

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

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

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

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

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

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

Mr. Aamer Alireza joined the Bupa Arabia Board in March 2008. He is also a Board member of the Xenel Group of Companies, the Managing Director of its services division, and a Board member of a number of Xenel affiliated companies.

In addition, he is the Chief Executive Officer of Red Sea Gateway Terminal (RSGT) and its affiliate, Saudi Trade & Export Development Company (Tusdeer), and a Board member of its parent company, Saudi Industrial Services Company (SISCO), a publicly listed company.

He also serves on the Board of Directors of Friends of Jeddah Parks, a non-profit organization. Mr. Aamer Alireza graduated from Pitzer College in California with a B.A. in Economics and Political Science in 1994.

He also joined various management executive programs at the University of California - Berkley in 2000, Stanford University in 2003, and Harvard University, in 2010 and in 2012, where he attended the Advanced Management Program.

5**Eng. Saleh Al-Jasser,**
Director-Independent

Eng. Saleh Al-Jasser has extensive experience in leading successful business organizations. He is the CEO of BAHRI, The National Shipping Company of Saudi Arabia. In addition he currently sits in the Boards of Itihad Itisalat Co. (Mobily), Saudi Research and Marketing Group, Bupa Arabia, Saudi Arabian Airlines, Saudi Civil Aviation Holding Co., and Saudi Post. He is also a member of Young President Organization (YPO).

Before joining BAHRI, he was the Managing Director at Abdul Latif Jameel Company, where he served from 2003 until 2010. Prior to that held various leadership positions in prestigious companies such as Saudi Telecom Co., Al Jomaih Bottling and Can-making Company and the Saudi Industrial Development Fund.

Eng. Al-Jasser holds MBA Degree from King Saud University in Riyadh and BSc in Industrial Engineering from King Abdul-Aziz University in Jeddah. He also received additional education and trainings from various prominent business schools such as Harvard Business School in the USA and INSEAD Institute in France, Oxford and Cranfield Universities in UK. Early in his career he participated in an intensive training program for a full year at Chase Manhattan Bank in New York.

6**Mr. James Wheaton,**
Director

Mr. James Wheaton was born and educated in the United Kingdom (UK), holds a BSc in Economics from LSE and is a Chartered Accountant.

James originally joined Bupa, the international healthcare group, in 1993 and spent an initial 5 years with the company, working in the insurance business in the UK and also in the Care Services business. He left in 1998 to study for an MSc in Management at the London Business School and thereafter worked in senior finance roles in UK based listed companies specialising in outsourcing and information technology.

James re-joined Bupa, in the UK, in July 2010, as Finance Director for International Markets and during October 2012 was appointed Strategy Director to the International Development Markets division. This market unit also includes India, Hong Kong, Thailand and the USA. James sits on the Boards of the Bupa companies in Hong Kong and the Bupa joint venture in India, Max Bupa.

7**Mrs. Alison Platt,**
Director

Mrs. Alison Platt was born and educated in the United Kingdom (UK) and is a Managing Director at Bupa, the international healthcare group, responsible for International Development Markets since October 2012. In addition her role covers India, Hong Kong, Thailand and the US, and also focuses on driving growth in new markets for Bupa across South East Asia, China, the Middle East, Europe and Africa.

Alison previously held a number of senior posts across Bupa including Chief Operating Officer of the UK private hospitals business, Deputy Managing Director of the UK insurance business and latterly Managing Director for Bupa businesses in the UK, Europe and North America. Alison currently sits on the Board of the Bupa joint venture in India, Max Bupa. In June 2012 Alison also joined the Board of Cable & Wireless Communications PLC (UK) as a non-executive director.

Between 2009 and 2013 Alison was Chair of 'Opportunity Now', which seeks to accelerate change for women in the workplace. She was a non-executive director of the Foreign & Commonwealth Office (FCO), between 2005 and 2010, and in the 2011 New Year Honours Alison was appointed a Commander of the order of St Michael and St George (CMG) for her services to the Board of the FCO.

8**Mr. Ignacio Peralta Gracia**
Director

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

Iñaki was appointed as the Sanitas Hospitals General Director during September 2008 having held a variety of different roles since joining Sanitas Care Homes during 1995, including Director of Expansion and business Development, Operations Director. And Regional Director for Cataluña, Aragón, La Rioja and Soria (Sanitas PMI).

Iñaki sits on a number of the Sanitas Boards and has significant experience with hospital facilities having been instrumental in expanding the Sanitas hospital operation. Sanitas Hospitals expects to close 2013 with 495 M€ in revenues, with 6 hospitals, 47 Clinics and 20 Wellbeing Centres. In Sanitas Hospitals work 6.350 people.

COMPETITIVE ADVANTAGES

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

Management Team and Staff Expertise:

Bupa Arabia is proud of its experienced and able leadership team and its specialization in the health insurance sector. Collectively, the Executive team possess over 40 years' experience in the health sector in insurance and provision, within and outside of the Kingdom. Our staff retention levels, number of long term employees and staff surveys tell us we have the skills, appetite and ambition to continue to lead this sector.

International Healthcare Experience:

Our members benefit from the assurance of being part of the Bupa Group, an expanding worldwide organization — one which is entirely focused on health and care, employing over 70 thousand staff and servicing over 20m customers in over 190 countries. Bupa Arabia benefits from its ability to draw upon a world of healthcare expertise and experience from which we can “steal with pride” new services, products, systems and capabilities to add further value to our clients.

Specialization in Private Medical Insurance

As the first specialized medical insurer in the Kingdom of Saudi Arabia, and with now 15 years of local Saudi market experience, Bupa Arabia has the scale, stability and is uniquely placed to provide our clients with a growing range of specialized health care services. We have also launched several media campaigns, such as our service differentiator campaign and we have continued to increase our brand awareness and conveyance of the message “With you for a better Health”.

Fully Integrated Information Technology System:

We continuously invest in the functionality, scalability and robustness of our IT infrastructure. Over the past few years, we have introduced a new document management system to automate and streamline processes, plus we enhanced our business continuity plans and disaster recovery capability through moving to larger, more effective, Riyadh premises.

Customer Service Culture and Healthcare Operations:

Committed to delivering great customer service, Bupa Arabia constantly reviews our services and implements positive steps to provide better customer service, carried out by enthusiastic, dedicated teams throughout the organization with every employee trained to embrace the customer service mindset. Bupa Arabia enhanced its “Up Your Service Passion” program, implemented ten focused improvement projects, and the overall service satisfaction index increased significantly from 71% to 78% during 2013.

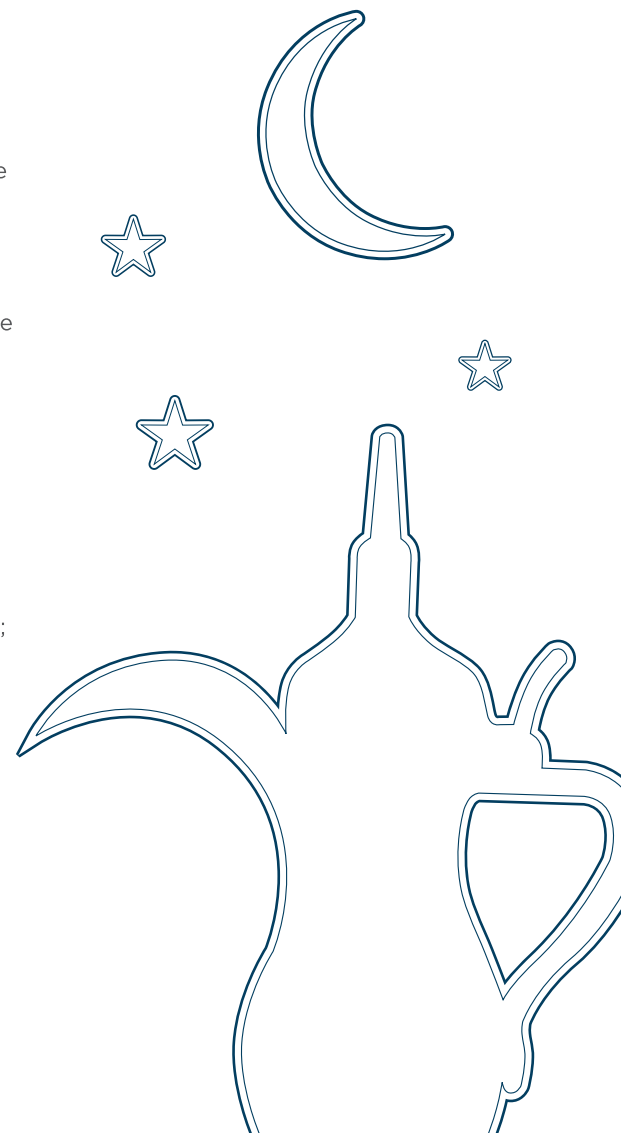
Stakeholder Management

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

Corporate Social Responsibility - CSR

In 2013 the Company increased momentum on its valued CSR initiative to provide all orphans resident in the Kingdom with free, top quality, health insurance cover, by expanding the coverage of 1,125

orphans in 16 sites to 2,882 orphans in 46 orphanages within 15 cities. In line with this initiative, Bupa Arabia employees were actively engaged in health education such as oral hygiene, donation drives providing clothes and toys as well as homecare services and check-up visits at the designated orphanages.





Over 65 years of healthcare and wellness

The Bupa Group was established in 1947 in the United Kingdom with one core purpose “to prevent, relieve and cure sickness and ill health of every kind.” More than 65 years hence, with around 22 million customers in over 190 countries, Bupa remains true to this core principle across all its businesses and geographies, from Europe, Asia, the Americas, Africa and Middle East.

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

With around 70,000 employees worldwide, Bupa lives up its purpose of ‘longer, healthier, happier lives.’ And it does so in a manner that treats and cares for its customers as individuals.

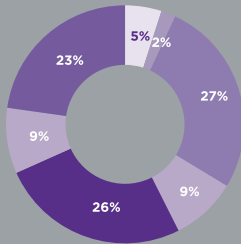
BUPA GROUP

- Provide health insurance to customers in over 190 countries covering around 22 million people internationally.
- GBP 9.1 billion turn over in 2013.
- Works with 7,500 hospitals and clinics worldwide.
- Operates hospitals and primary care centers in UK and Spain.
- Operates more than 400 care homes and retirement villages in the UK, Spain, Australia and New Zealand

BUPA AROUND THE WORLD

International Development Markets

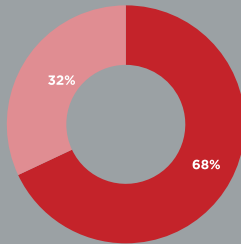
Revenue 2013: £ 377.3 m



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

Bupa Global

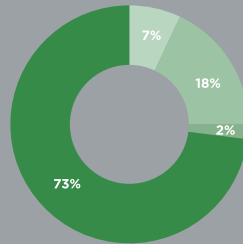
Revenue 2013: £ 953 m



- Bupa Global Business Unit
- Bupa Global Latin America

Spain and Latin America

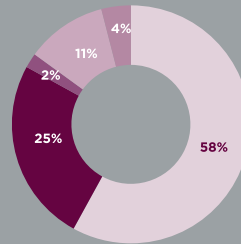
Revenue 2013: £ 1,363.5 m



- Dental
- Hospitals and New Services
- Care Services
- Health Insurance

United Kingdom

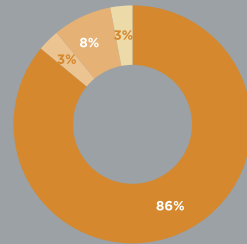
Revenue 2013: £ 2,573.5 m



- Care Services
- Health Clinics
- Health Insurance
- Home Healthcare & Hospital Services
- Cromwell Hospital

Australia and New Zealand

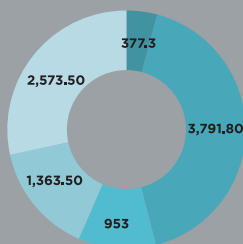
Revenue 2013: £ 3,791.8 m



- Health Insurance
- Health Services
- Care Services New Zealand
- Aged Care Australia

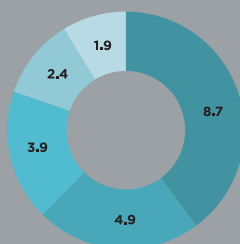


Total Revenue 9.1B



- International Development Market
- Australia & New Zealand
- Bupa Global
- Spain and Latin America Domestic
- United Kingdom

Number of Customers 22M



- International Development Market
- Australia and New Zealand
- United Kingdom
- Spain and Latin America Domestic
- Bupa Global

Our 22 million customers live in over 190 countries and served by over 70,000 employees.

Our services include health insurance and other healthcare initiatives.

Our total revenue reached £ 9.1 billion in 2013 compared to £ 8.4 billion for 2012.

UNIQUE HEALTH SERVICES



Doctor on Phone

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



Doctor on Chat

Expert medical advice available to Bupa Arabia members and to the public through our website



Maternity care

Expert advice before and after giving birth from Bupa doctors



Chronic Medication Refill

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



Chronic Disease Management

Bupa doctors help and guide chronic situations towards better health through expert advices on lifestyle and diet control



Baby vaccination

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



Roving Doctors

Dedicated team of medical professionals that ensure the health and wellbeing of Bupa Arabia members at hospitals



Home Laboratory

Bupa facilitates your routine blood testing by sending a qualified lab technician right to where you live or work and at the time and date most convenient to you. Your results will be sent via email after 24 hours.

RECOGNIZING OUR CARE

SHOWCASING OUR AWARDS

2013



Best CSR initiative

2013



INSIGHTS Middle East Call Centre Awards
• Call Center of the year

INSIGHTS Middle East Call Centre Awards
• Best Recruitment Program
• Flags Pioneer Contact Centre

2013



Best Saudi Company to Work for 'For Women'

2013



8th Best Saudi Company, within the Large Companies Category

2012



Best Large Call Centre, **INSIGHTS** Middle East Call Centre Awards

2011



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

2011



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

2010



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

2009



- E-Business Award, Middle East Insurance Awards, Basmah
- 8th Fastest Growing Company Award (SME sector), Saudi Fast Growth Award

2008



- E-Business Award, Middle East Insurance Award, Msg.Bupa
- Best Company to work for, Saudi Best Company Award
- Best working Environment for women Saudi Best Company Award
- Best Call Centre Quality Award, **INSIGHTS** Middle East Call Centre Awards

2007



- 8th Best Company to Work For, Saudi Best Company Award
- Best Call Centre Quality Award, Middle East Call Centre Awards
- Best Medical Insurer, Jeddah Chamber of Commerce

2006



- Best Medical Insurer Jeddah Chamber of Commerce
- E-Business Award, Middle East Insurance Awards, Online Services



**BOARD
REPORT**

Bupa Arabia for Cooperative Insurance Company

Board of Directors Report

for the period ended 31/12/2013:

The Board of Directors of Bupa Arabia for Cooperative Insurance Company is pleased to present the annual report covering the Company's financial results and achievements, followed by the audited financial statements and notes for the twelve month period ended 31 December 2013. This Board report includes the most important developments, financial results, operational activities and disclosures in compliance with the rules and regulations of the Kingdom of Saudi Arabia.

1. Main activities:

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

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

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

The current year financial statements, for the twelve month period ended 28/02/1435 H, 31/12/2013 G, represent the fifth statutory financial statements of the Company.

2. Asset purchase agreement and transfer of insurance portfolio:

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

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

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

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

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

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

During 2011, on 26/07/1432 H, 28/06/2011 G, the company successfully renewed its SAMA license qualification for a further three year period to 08/08/1435 H, 06/06/2014 G.

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

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

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

• 5.1 Strategy review - execution progress:

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

• 5.2 Corporate governance enhancements:

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

• 5.3 New sales outlets:

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

• 5.4 Chief Executive Team (CET):

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

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

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

• 5.6 Corporate social responsibility (CSR):

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

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

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

• 5.7 Shariah compliance developments:

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

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

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

6. Bupa Arabia future prospects, risks and developments:

• 6.1 Competition and market dynamics:

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

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

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

The price pressure in the Private Medical Insurance (PMI) market, that started two years ago, abated from the first quarter of 2013 and the companies who led the price pressure are now working to cover their claims costs by returning to price increases that are more consistent with historical norms. Capacity issues in the public healthcare sector are increasingly leading Saudi citizens to buy PMI in order to access better facilities. Both of these factors will enable consistent growth in the PMI industry in the coming years.

• 6.2 Provider capacity and quality:

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

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

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

• 6.3 Financial strength:

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

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

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

• 6.4 Healthcare specialist:

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

• 6.5 Risks:

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

- Irrational competitor pricing below claims costs
- Overtreatment and fraudulent claims by providers
- Continuously escalating prices by providers underpinned by the imbalance of supply and demand in the market
- Regulatory delays regarding product approval, increased levies (VAT, Dahman Fund) and other
- Regulatory impact on the Company's ability to manage delinquent clients due to regulatory restrictions to Company Credit Control activities
- The risk that solvency restraints curtail growth, due to the impact of SAMAs Article 69 which treats any amount more than 90 days from inception as inadmissible
- Availability of qualified professionals in a tight labour market
- Zakat risk associated with long term Investment portfolios
- Crisis management and disaster recovery capabilities

7. Financial statements presentation:

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

For comparative purposes the results contained within this Board Report use the twelve month period ended 28/02/1435 H, 31/12/2013 G as a comparative versus the results for the twelve month period ended 18/02/1434 H, 31/12/2012 G.

8. Unqualified opinion of the independent external auditors:

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

9. Bupa Arabia business results:

• 9.1 Summary profit results:

	2009 SR000s 12 months	2010 SR000s 12 months	2011 SR000s 12 months	2012 SR000s 12 months	2013 SR000s 12 months
Gross written premiums (GWP)	1,347,337	1,749,390	1,993,251	2,194,301	3,177,480
Net earned premiums	1,205,351	1,608,908	1,927,629	2,128,028	2,604,458
Total revenue (Insurance Op.)	1,208,017	1,613,109	1,930,583	2,141,092	2,620,260
Gross claims paid	889,057	1,232,218	1,523,835	1,671,622	2,074,049
Net claims incurred	973,422	1,308,103	1,551,030	1,701,051	2,094,354
Total expenses (Insurance Op.)	175,073	223,888	324,649	296,227	380,720
Surplus from insurance operations	59,522	81,118	54,904	143,814	145,186
Shareholders' net income	57,732	70,798	42,244	134,406	147,334

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

• 9.2 Summary balance sheets:

INSURANCE OPERATIONS' ASSETS	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Cash and cash equivalents	444,162	346,908	551,914	204,533	232,267
Murabaha deposits	-	-	58,000	732,340	956,230
FVIS investments	-	257,178	187,699	87,821	186,107
Prepayments and other assets	28,823	20,881	30,069	23,786	42,370
Premiums receivable - gross	427,197	520,004	403,936	279,807	462,645
Allowance for doubtful premiums receivable	(19,799)	(30,164)	(64,106)	(44,548)	(52,550)
Premiums receivable - net	407,398	489,840	339,830	235,259	410,095
Reinsurer's share of unearned premium	-	-	-	-	43,011
Reinsurer's share of outstanding claims	-	-	-	-	13,708
Deferred policy acquisition costs	14,764	15,470	21,097	22,535	32,200
Total insurance operations' assets	895,147	1,130,277	1,188,609	1,306,274	1,915,988

SHAREHOLDERS' ASSETS	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Cash and cash equivalents	308,789	13,631	13,631	13,631	101,260
Murabaha deposits	-	-	-	-	126,993
FVIS investments	-	299,462	373,534	497,158	446,338
Other receivables	613	-	244	735	1,319
Amount due from insurance operations	39,580	48,761	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	21,025	38,703	41,565	48,918	43,059
Statutory deposit	40,000	40,000	40,000	40,000	40,000
Total shareholders' assets	508,007	538,557	566,974	698,442	856,969
TOTAL ASSETS	1,403,154	1,668,834	1,755,583	2,004,716	2,772,957

INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Unearned premiums	522,517	659,819	722,739	786,669	1,323,069
Outstanding claims	275,259	352,379	381,265	413,509	450,096
Reinsurance balance payable	89	1,269	702	443	505
	797,865	1,013,467	1,104,706	1,200,621	1,773,670
Accrued expenses and other liabilities	51,750	50,508	59,503	63,619	79,113
Obligation under Long-Term Incentive Plan (LTIP)	-	3,477	4,846	8,099	14,751
	849,615	1,067,452	1,169,055	1,272,339	1,867,534
Amount due to shareholders' operations	39,580	48,761	-	-	-
Policyholders' share of surplus from Insurance Op.	5,952	14,064	19,554	33,935	48,454
Total insurance operations' liabilities and surplus	895,147	1,130,277	1,188,609	1,306,274	1,915,988
SHAREHOLDERS' LIABILITIES AND EQUITY	2009 SR000s	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s
Accrued expenses and other liabilities	11,336	13,855	21,352	26,532	31,419
Accrued Zakat and income tax	10,318	7,905	15,437	30,306	35,000
Amount due to a related party in respect of goodwill	49,000	20,990	3,355	3,355	-
Amount due to related parties	-	2,818	4,400	4,041	59,490
Total shareholders' liabilities	70,654	45,568	44,544	64,234	125,909
Share capital	400,000	400,000	400,000	400,000	400,000
Shares held under Employees' Share Scheme	-	(2,709)	(2,910)	(4,988)	(7,052)
Statutory reserve	9,534	23,694	32,143	59,024	88,491
Retained earnings	27,819	72,004	93,197	180,172	249,621
Total shareholders' equity	437,353	492,989	522,430	634,208	731,060
Total shareholders' liabilities and equity	508,007	538,557	566,974	698,442	856,969
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	1,403,154	1,668,834	1,755,583	2,004,716	2,772,957

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

10. Bupa Arabia financial highlights:

• 10.1 Summary key performance indicators:

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

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

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

Excluding the year on year bad debt provision movement of SR28m, overheads increased versus the prior year due to the full year costs of the prior year infrastructure and resource capability build and the current year additional costs associated with the increased volume of customers and extra investment in capability (distribution, brand, infrastructure, operations and other key activities).

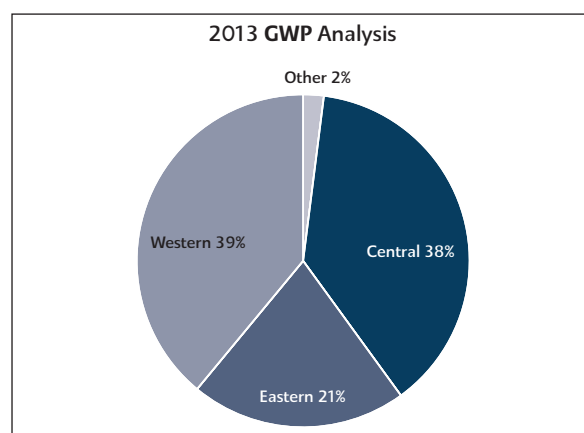
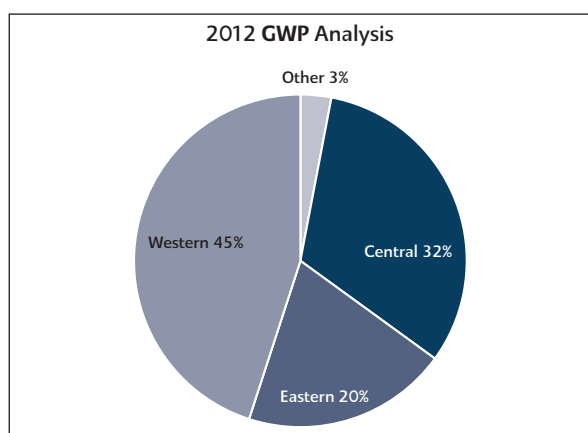
Description	2012 SR000s (12 Months)	2013 SR000s (12 Months)	2013 Change SR000s	2013 Change %
Net income for the period (before Tax and Zakat)	134,406	147,334	12,928	10%
Adjust for BDP (Release)/Expense	(19,558)	8,789	28,347	n/a
Less Investment Income	(23,132)	(35,843)	(12,711)	55%
"Underlying" Results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

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

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

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

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



• **10.3 Net claims incurred:**

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

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

• **10.4 Total operating expenses:**

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

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

• **10.5 Total insurance operations' operating expenses:**

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

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

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

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

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

• **10.6 Surplus from insurance operations:**

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

The increase in the surplus from insurance operations was mainly due to the higher underwriting result, due to the higher earned premium combined with the stable loss ratio, but offset by an unfavourable year on year BDP movement and higher growth related expenses, such as levies and commissions. An increase in underwriting contribution of SR83m was achieved. These gains were partially offset by an increase in operating expenses as described in sections 10.4 and 10.5.

• **10.7 Investment income:**

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

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

· 10.8 Net shareholders' income:

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

The increase in the net shareholders' income for the twelve month period was driven mainly by the increased surplus from insurance operations, due to the improvement in the net underwriting result, but offset by the increase in the allowance for doubtful premiums receivable and the increased costs associated with growth (levies and commission costs). Net shareholders' income also benefited from shareholders' investment income SR10m higher than the previous year.

· 10.9 Summary statement of financial position:

Description	2012 SR000s at 31/12/12	2013 SR000s at 31/12/13	2013 Change SR000s	2013 Change %
Insurance operations' assets	1,306,274	1,915,988	609,714	47%
Shareholder operations' assets	698,442	856,969	158,527	23%
Total assets	2,004,716	2,772,957	768,241	38%
Insurance operations' liabilities and surplus	1,306,274	1,915,988	609,714	47%
Shareholders' liability	64,234	125,909	61,675	96%
Shareholders' equity	634,208	731,060	96,852	15%
Total liabilities, surplus and shareholders' equity	2,004,716	2,772,957	768,241	38%

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

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

· 10.10 Total assets:

Description	2012 SR000s at 31/12/12	2013 SR000s at 31/12/13	2013 Change SR000s	2013 Change %
Total assets	2,004,716	2,772,957	768,241	38%

The increase in total assets during the twelve month period was due mainly to the net increase of cash and cash equivalents/ investments (a combined net increase of SR514m) and the increase in net premiums receivable of SR175m.

· 10.11 Cash and cash equivalents:

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

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

• 10.12 Investments:

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

The original SR550 million investment placement remains under the management of the same external third party as originally approved by the Board and Investment Committee during 2010. A 2013 total amount of SR201m, 2012 total amount of SR113 million, was payable to the shareholders' operations by insurance operations and was settled by transfer of SR127m murabaha deposits and SR74m cash to shareholders' operations as at 31/12/2013. The SR51m decrease in Shareholder operations' investments has arisen due to a move of investments into murabaha deposits, refer SR215m increase in Shareholder operations' cash and cash equivalents per section 10.11.

• 10.13 Total premiums receivable, net:

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

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

• 10.14 Technical reserves:

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

The growth in the technical reserves is mainly due to the growth in the written premium, of 45%, combined with a change in seasonality of written towards the second half of the year. As a result of the change in seasonality of the written premium the unearned premium reserves at 31/12/2013 increased by SR536m to SR1,323m and represent 41.6% of the annual gross written premium (versus 35.9% at 31/12/2012). The claims reserves increased by SR37m to SR450m and represent 21.5% of the annual net claims incurred (versus 2012 at 24.3%) and as a ratio have reduced versus the previous year due to increased speed of claims settlement during 2013, which has, as an outcome, reduced the claims uncertainty. The technical reserves, as at 31/12/2013, as was the case at 31/12/2012, were correctly calculated and provided for in accordance with SAMA's implementing regulations and have been verified as accurate by an independent actuary.

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

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

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

12. Key sales, operations and other functional activities:

• 12.1 Sales and marketing:

Bupa Arabia continued to strengthen its distribution capability in 2013. In the Corporate sector this was through an enhanced Central region presence (new offices are also under development in Riyadh) combined with an improved focus on major and government accounts. Bupa Arabia successfully expanded its international ability, and provider network, through partnerships and also secured significant new key accounts, such as the Ministry of Foreign Affairs (refer section 10.2 for regional GWP analysis). Retail distribution capability was enhanced mainly through the growth of field salesmen as a financially viable alternative, versus the physical expansion of Retail outlets, given the price pressure that rendered some branches to be loss making. Revenue growth on a written basis was 45% up on 2012 (22% for earned), against an overall market growth estimated at approximately 17% on written basis (21% earned). Bupa Arabia has benefited from the actuarial price enforcement by SAMA given that Bupa Arabia did not participate in the period of pricing pressure which lasted for almost two years.

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

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

• 12.2 Operations management and customer service:

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

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

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

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

• 12.3 Bupa Arabia's people:

Bupa Arabia believes in the value of a healthier and more engaged workforce, and the "service profit chain". The Company believes that engaged, positive employees will better serve our customers and drive business growth and success.

To ensure Bupa Arabia attracts, retains, motivates and develops its people effectively, Bupa Arabia implemented a number of initiatives during 2013. The Company reviewed its compensation and benefits structure, where grades and salary scales were updated to match the competitive employment market. Benefits were also streamlined to ensure that Bupa Arabia can attract the right talent to drive the business growth. Consequently, in the second half of 2013, the Company experienced an increase in the number of recruits and a decrease in the number of leavers.

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

Bupa Arabia won the following awards during 2013:

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

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

• 12.4 Technology Services & Business Transformation:

In August 2013 the Company appointed a new Technology Services & Business Transformation Director.

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

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

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

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

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

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

During the year the Board of Directors consisted of the following members and their membership in the Boards of other joint stock companies was as detailed within the table below. The Non-Executive Board members representing Bupa Investments Overseas Limited joined during the year after the approval of SAMA and the shareholders in the General Assembly (refer section 13.2 for further details).

Membership	Director name	Membership of other joint stock company Boards
Non-Executive	Eng. Loay Hisham Nazer	Not applicable
	Mrs. Elizabeth Alison Platt	Not applicable
	Mr. James Gordon Wheaton	Not applicable
	Mr. Ignacio Peralta Gracia	Not applicable
Independent	Mr. Aamer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
	Mr. Abdulhadi Ali Saif Shayif	Saudi Hollandi Bank, The Arabian Cement Company
	Mr. Saleh Nasser Al-Jasser	Etiihad Etisalat Company, Saudi Research and Marketing Group
Executive	Mr. Tal Hisham Nazer	Not applicable

• 13.2 Board of director changes during the year:

The Board of Directors on 27/01/1434 H, 11/12/2012 G approved the foreign shareholder's (Bupa Investment Overseas Limited) request to change its representatives on the Board and accepted the resignations of its existing Board representatives effective from 27/01/1434 H, 11/12/2012 G. The Board approved the proposed replacement Board members, Mrs. Elizabeth Alison Platt, Mr. James Gordon Wheaton, and Mr. Ignacio Peralta Gracia, subject to the approval of SAMA, which was received during 2013, and subject to the approval of the General Assembly meeting, which was completed on 29/05/1434 H, 10/04/2013 G. The new Board members will complete the three year Board cycle which commenced during 2011.

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

· **13.3 Benefits and emoluments of board members and senior executives:**

The table below details salaries, emoluments, allowances and bonuses received by board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2013 to 31/12/2013:

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

The amounts reflected for the Executive Member, who is also the CEO, are the attendance fees and allowances for the Board and Committee meetings attended. The CEO bonus, LTIP and EOS amounts are contained within the five senior executives section of the table. There were no bonuses, LTIP or EOS benefits paid or provided for in relation to any other Board members. The prior year accrual reversal is due to an expected change in Board fees not approved by the regulator and therefore no longer required.

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

The Bupa Arabia equities held by the Board members, and their immediate family members, of Bupa Arabia are as detailed below at 31/12/2013:

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

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

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

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

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

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

Name of Director	Opening 31/12/2012		Closing 31/12/2013		change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Fraser David Gregory	7,000	-	7,000	-	-	100%

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

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

• **13.7 Board meetings and attendances:**

As required in terms of the CMA disclosure requirements of Article 27, paragraph 16, the Board meetings, and Directors' attendance record, for the year are reflected below:

Director name and period	Position	Membership	Board 1 08/04/2013	Board 2 18/06/2013	Board 3 09/09/2013	Board 4 11/11/2013
Eng. Loay Hisham Nazer (full year)	Member	Non-Executive	Y	Y	Y	Y
Mr. Tal Hisham Nazer (full year)	Member	Executive	Y	Y	Y	Y
Mr. Aamer Abdullah Ali Reza (full year)	Member	Independent	Y	Y	Y	Y
Mr. Saleh Nasser Al-Jassar (full year)	Member	Independent	Y	Y	Y	Y
Mr. Abdulhadi Ali Saif Shayif (full year)	Member	Independent	Y	Y	N	Y
Mrs. Elizabeth Alison Platt (full year)	Member	Non-Executive	Y	Y	Y	Y
Mr. James Gordon Wheaton (full year)	Member	Non-Executive	Y	Y	Y	Y
Mr. Ignacio Peralta Gracia (full year)	Member	Non-Executive	Y	N	Y	Y

• **13.8 Major board resolutions during the year:**

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

- The Annual Financial Statements and the Annual Board Report, per the Audit Committee approval recommendation to the Board,
- The recommendation, subject to the approval of SAMA and the Ordinary General Assembly Meeting, and thereafter the Board approval, of Dividends of SR40m,
- The conflicts of interests, subject to the shareholder approval in the Ordinary General Assembly Meeting, and as reflected in this Board report,
- The appointment of the joint external Auditors as Ernst & Young and Deloitte & Touche, for the 2013 financial year, per the Audit Committee approval recommendation to the Board, subject to the shareholder approval in the Ordinary General Assembly Meeting,
- Investments supporting Riyadh/Retail initiatives, including the Riyadh office lease commitment,

- A variety of policies and/or procedures including:
 - The Audit Committee terms of reference: that the External Auditors Audit Plan is to be considered by the Audit Committee, as required by the CMA.
 - The CMA required implementation of article 10d required Board member related policy and procedure, subject to the Ordinary General Assembly Meeting Approval.
 - Outsourcing Policy and Procedures, as required by SAMA.
 - CMA required amendments to the Conflict of Interest Policy
- The appointment of Mr. Mohamed Ayouty, an independent non-Board member, to the Audit Committee, in place of Mr. Simon Granville, for the remainder of the term, subject to the approval of SAMA, and subsequently approved by SAMA.
- The appointment of Mrs. Kate Browne, to the Nomination and Remuneration Committee, in place of Mr. John Handley, for the remainder of the term.
- The appointments of Mr. Gareth Evans and Mr. Khaled Alkhattaf, as members of the Investment Committee, in place of Mr. Simon Warren and Mr. Hassan Aljabri, for the remainder of the term.

• 13.9 General assembly meeting during the year:

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

- Resolution 1: The approval of the Board of Directors report for the year ended 18/02/1434 H, 31/12/2012 G (12 months),
- Resolution 2: The approval of the Annual Financial Statements, and the report of the external auditors, for the year ended 18/02/1434 H, 31/12/2012 G (12 months),
- Resolution 3: The approval of the selection and appointment of the joint external auditors (Ernst & Young and Deloitte & Touche), and the setting of the external auditors' fees, for the company's financial statements for the year ending 28/02/1435 H, 31/12/2013 G, in line with the recommendation of the Audit Committee,
- Resolution 4: The approval of the appointment of the new Board members, representing the foreign shareholder Bupa Investments Overseas Limited:
 - Mr. Ignacio Peralta Gracia (non-Executive Member) replacing Mr. Dean Alan Holden,
 - Mr. James Gordon Wheaton (non-Executive Member) replacing Mr. Ignacio Ereno Iribarren,
 - Mrs. Elizabeth Alison Platt (non-Executive Member) replacing Mr. William Steven Ward,
- Resolution 5: The Ratification of Business and Contracts where a board member has a direct or an indirect interest during the year 2012, as follows:
 - Al Majd Al Rraqi Company for Medical Care and Health Services Limited (providing services associated with Diaverum), is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided services at a cost estimated at SR150k for 2012, as well as continued services, and associated fees, during 2013,
 - Mr. Abdulhadi Shayif owns a 1% shareholding in the Shariah Review Bureau (SRB), a company providing Shariah Consulting Services to Bupa Arabia and to which payment of SR 150k was made during the 2012 year, as well as continued services, and associated fees, during 2013,
 - Trans Arabian Creative Communications (TRACCS) is 45% owned by Nazer Group Holding, and those whom have a direct interest are; Eng. Loay Nazer Chairman / Mr. Tal Nazer Managing Director, where these are fees for handling the Public Relation matters related to the company with a sum of SR 221k in 2012, as well as continued services, and associated fees, during 2013,
 - In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430 H, 9/09/2009 G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement the related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. During 2012 the trade mark fee payable amounted to SR2,130k, as well as continued services, and associated fees, during 2013.
- Resolution 6: The approval of the recommendation of the Board of Directors of the proposed adjustments to the terms of references of the following Board Committees:
 - The Audit Committee.
 - The Nomination and Remuneration Committee.
 - The Executive Committee.
 - The Investment Committee.

- Resolution 7: The approval of the Board of Directors to pay a dividend, for the year ending 31/12/2012 G, of SR1.00 per share totaling SR forty million (SR 40,000,000), representing 10% of the paid up capital, to shareholders registered at the date of the Extraordinary General Assembly Meeting on 10th April 2013. The date of the cash dividend payment will be confirmed at the Extraordinary General Assembly Meeting. This proposed cash dividend payment represents 10% of the nominal value of each share.
- Resolution 8: The approval of the recommendation of the Board of Directors to set specific and explicit policies, standards and procedures, for the membership of the Board of Directors on the basis of Article (10/d) listed in the Corporate Governance as issued by the Capital Market Authority (CMA) Board.
- Resolution 9: The approval of SR1,044k as the remuneration for the members of the Board of Directors for the year ended 31/12/2012 G in accordance with article 17 of the company by-laws.
- Resolution 10: The absolving of the Board of Directors of their legal and financial responsibility for managing the company for the year ended 18/02/1434 H, 31/12/2012 G (12 months),

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

• 13.10 Insurance contracts with companies related to Board members:

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

• 13.11 Other contracts with companies related to Board members:

During the financial period the Company contracted with Trans-Arabian Creative Communications (TRACCs) for public relations services. TRACCs is a company in which the Nazer Group Limited has a stake holding of forty-five percent. The Company confirms that proper arm's length tendering processes for the services took place and that the expense of the Company, with TRACCs, amounted to SR211k during the 2013 financial year (2012 SR221k). The contractual arrangement was approved during the 2011 and 2012 Annual Ordinary General Assembly meetings which took place during 2012 and 2013. Its approval will also form part of the 2013 Annual Ordinary General Assembly meeting, which will take place during 2014, for the approval of the shareholders (in accordance with Article 18 of the CMA Corporate Governance regulations) and will be provided to the Bupa Arabia Board of Directors for approval during 2014 (the related party Board members will not vote on this matter). The External Auditors will be requested to provide a full report on this agreement and this will be presented to the 2013 Annual Ordinary General Assembly meeting during 2014.

Since the second quarter of 2012 the Company has contracted with a Dammam based provider of dialysis services, Al Majd Al Rraqi Company for Medical Care and Health Services Limited (a company providing services associated with Diaverum), and which is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided dialysis services to Bupa Arabia patients at a cost to the Company estimated at SR415k for full year 2013 (versus SR169k estimated for the full year 2012). At 31/12/2013 SR237k was estimated as payable to Al Majd Al Rraqi Company for Medical Care and Health Services Limited (SR150k estimated as payable for 2012 as at 31/12/2012). Bupa Arabia confirms that the contract was priced on an arms-length basis and in line with the same procedures as the Company's other hospital providers and clinics. The Company further confirms that the contract carries no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other hospital providers and clinics.

Mr. Abdulhadi Shayif, independent Board member, owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia and which represented an operating expense to Bupa Arabia in 2013 of SR150k (2012 year was SR150k).

In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430 H, 9/09/2009 G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement the related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. The trade mark fee is payable at different rates linked to the results of the Company. Consequent to the increase in the results a higher rate of trade mark fees is payable. Accordingly, during 2013 the trade mark fee amounted to SR9,714k, compared to 2012 of SR2,130k.

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

During the year the Company signed a reinsurance agreement, on 28/2/1435 H, 31/12/2013 G, with Bupa Insurance Limited (a Related Party) to reinsure part of the written premium related to its customers outside the Kingdom and their dependents. Bupa Insurance limited is a subsidiary of the Bupa Group which is represented on the Company's Board through Bupa Investments Overseas Limited by Mr. Ignacio Peralta Gracia, Mrs. Elizabeth Alison Platt and Mr. James Gordon Wheaton. The premium ceded was SR 77 million, at 31/12/2013, which represents around 3% of the 2012 annual written premium. Bupa Arabia will seek the shareholders' approval at the 2013 Annual Ordinary General Assembly meeting, which will take place during 2014.

The Company confirms that other than the above, and below (in section 13.12), specific contracts there are no other contracts to which the Company is a party and in which a Director, the CEO, the CFO or any associate is or was materially interested.

• **13.12 Other related party transactions:**

A shareholder, not related to the Board members of the Company, is also a hospital provider. The written premium, and medical cost payments, and estimated medical costs payable as at 31/12/2013, associated with this shareholder hospital provider, are reflected in the related parties note 12 in the annual financial statements.

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

14. Other disclosures in accordance with laws and regulations:

14. Other disclosures in accordance with laws and regulations:

• **14.1 Provision of corporate governance:**

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

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

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

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

• **14.2 Corporate governance and risk management:**

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

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

During 2014 the Company will seek to further enhance its corporate governance through the development/enhancement of its Corporate Governance related codes and specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly meeting. The aforementioned in support of the CMA regulations as contained within article 10 clauses c and d.

During 2013, there were changes in the members of the Board of Directors through the formal approval of the appointment of the members of the Board representing Bupa Investments Overseas Limited, as reflected in section 13.9, Resolution 4. There were no changes in the membership of the Executive Committee, however there were changes in the membership of the Audit Committee, Investment Committee, and Nomination and Remuneration Committee compared to 2012. The 2013 membership changes, and the activities of the different Board Committees, and independent control functions, are summarised in the sections below:

• **14.3 Audit Committee and internal controls:**

Audit Committee Purpose	Member Names	Meetings
<p>The purpose of the Audit Committee is to ensure the integrity of the Company's financial statements, to review and, where appropriate, make recommendations to the Board on internal financial controls, internal audit, compliance, and to review the external audit process and external auditors' performance. The Audit Committee approves the annual internal audit and compliance inspection plans. The Audit Committee reviews, together with the external auditors, the audit plan and makes any comments thereon. The Audit Committee will also have oversight, through the company's Risk and Compliance Committee (R&CC), for ensuring that the company's risk management processes, and procedures, are adequate and effective, particularly with regard to the impact on the company's financial reporting and its code of business conduct. In performing its duties the Audit Committee will maintain effective working relationships with the Board of Directors, management, the Risk and Compliance Committee and the external and internal auditors.</p>	<p>Mr. Abdulhadi Shayif (Chairman) Mr. James Wheaton Mr. Mohamed Ayouty</p>	<p>The Audit Committee convened five (5) times during 2013</p>

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

- The Risk and Compliance Committee (R&CC) is a sub-committee of the Audit Committee and its members are the chief executive team of the business. The Chief Financial Officer is the Chairman of the R&CC. The purpose of the committee is to ensure that Bupa Arabia adopts a robust, consistent, proportionate and cost effective approach towards the identification, analysis and control of the key risks that could threaten the Company. This committee supports the Audit Committee by giving a dedicated focus to embedding effective policies and procedures into the organisation regarding Internal Audit, Risk Management and Regulatory Compliance. Additionally this committee has oversight of Business Continuity and Disaster Recovery Planning, Health and Safety, Financial Crime and Anti-Bribery/corruption. The Compliance Officer and the Internal Audit Services Manager both formally report to the Chairman of the Audit Committee to ensure appropriate independence. The R&CC met four times during 2013.
- Internal Audit Services (IAS) - The IAS department completes a variety of internal audits during each year, covering the majority of operational processes/controls and the arising recommendations are monitored by the IAS department for implementation and reports communicated and reviewed by the Audit Committee, the R&CC, and also discussed at the Committee meetings (refer section 14.3.1 for the current year audits completed).
- Compliance - The Compliance department completed a number of varied internal inspections during the year, covering key processes/controls and recommendations arising from the same were thereafter monitored by the Compliance department for implementation.
- Risk Management - the Company, through the Finance Reporting & Control Department's Risk Officer, undertakes a formal structured risk review process which comprises a Quarterly Risk Assessment (QRA) of the business risks for reviewing the risk items, the risk materiality, the appropriateness of existing mitigating controls and for setting risk action plans where risk mitigation controls are considered inadequate. The QRA process followed by the Company is part of the Bupa Group worldwide standard and four QRAs were completed during 2013 with risk recommendations arising progressed. The key risks that management are currently reviewing and managing closely are itemised in section 6.5.
- The reports, findings and recommendations arising from the activities of each of the internal audit, compliance and risk management processes are communicated to the external Audit Committee as well as the R&CC. Key issues and actions arising are formally discussed during the Audit Committee, and R&CC, meetings and progress against required completion of recommendations monitored.

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

- The IAS department successfully completed, in accordance with the Audit Committee approved 2013 IAS schedule, the below more significant internal audits during the current year:
 - Reimbursement Claims processing and settlement processes
 - Inpatient Claims processing and settlement processes
 - Retail Sales processes for new business and renewals
 - Customer Service approval processes
 - Membership (fulfillment and stock control) processes
 - Retail and Individuals pricing processes for new & renewal business,
 - Payroll processing

The overall findings of the IAS department, based on its internal audits completed during 2013, were that the internal control procedures were effective.

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

• 14.4 Executive Committee:

Executive Committee Purpose	Member Names	Meetings
The purpose of the Executive Committee is to set the annual income target of Bupa Arabia which is thereafter ratified by the Board. The Executive Committee supports the Board with the management of the business through the review, and monitoring, of all aspects of the operational performance of the company on a monthly basis (to ensure that there are no barriers to achieving the objectives set). It also reviews and approves, as required per its terms of reference, certain aspects of a commercial nature, and ensures the company is fully compliant with all regulatory requirements.	Eng. Loay Nazer (Chairman) Mrs. Elizabeth Alison Platt Mr. James Gordon Wheaton Mr. Tal Nazer	The Executive Committee convened eight (8) times during 2013

There were no changes to the membership of the Executive Committee during 2013.

• 14.5 Nomination and Remuneration Committee:

Nomination and Remuneration Committee Purpose	Member Names	Meetings
The purpose of the Nomination and Remuneration Committee is to effectively manage Board and Board Committee appointments and to recommend to the Board of Directors appointments to the Board, and Board Committees. The Nomination and Remuneration Committee also annually reviews the requirements of suitable skills for membership of the Board of Directors and Board Committees. The committee provides approvals for the remuneration packages (including bonuses, long term incentives and salary inflation related increases) of the CEO and other senior executives. The committee also reviews and approves the rules of the company bonus/incentives/long term incentive plans and payments. Additionally, the committee supervises the recruitment of key managerial positions, approves the human resources policies and procedures and makes recommendations regarding Board and Committee appointments.	Eng. Loay Nazer (Chairman) Mr. James Gordon Wheaton Mr. Aamer Ali Reza Mrs. Kate Browne	The Nomination and Remuneration Committee convened twice (2) during 2013

The Board of Directors on 8/01/1435 H, 11/11/2013 G approved the appointment of Mrs. Kate Browne, to the Nomination and Remuneration Committee, in place of Mr. John Handley, for the remainder of the term.

• 14.6 Investment Committee:

Investment Committee Purpose	Member Names	Meetings
The purpose of the Investment Committee is to assist the business in developing its investment policy and to thereafter supervise its adherence to the same. To manage the company's investments to achieve the best return for the business, within the given risk parameter as approved by the Board, taking into account liquidity requirements and solvency constraints. The Committee will also monitor investment performance and act as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with SAMA's regulations and are fully Shariah compliant. Among other duties, the committee also provides investment advice to the business and the Board of Directors and will approve institutions to be used for significant investment placements.	Mr. Saleh Nasser Al-Jassar (Chairman) Mr. Gareth Evans Mr. Khaled Alkhattaf	The Investment Committee convened twice (2) during 2013

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

15. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 27, paragraphs 7 and 8, the Company confirms it has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

16. No borrowings or loans:

As required in terms of the CMA disclosure requirement of Article 27, paragraph 12, the Company confirms it has no borrowings or loans outstanding at the end of the current twelve month period and nor has it been required to make any payments against borrowings or loans during this twelve month period.

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

As required in terms of the CMA disclosure requirements of Article 27, paragraphs 13, 14 and 15, the Company confirms the below declarations:

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

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

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

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

As required in terms of the CMA disclosure requirements of Article 27, paragraphs 19 and 20, the Company confirms the below declarations:

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

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

19. Statutory payments and payable to regulatory bodies:

As required in terms of the CMA disclosure requirements of Article 27, paragraph 21, during 2013 the Company made payments, and has amounts payable, to the various Saudi Arabian regulatory bodies as detailed within the table, and thereafter explained in the narrative, below:

•19.1 Table of payments and payable to regulatory bodies:

	Paid SR000s	Payable SR000s
Zakat and income taxes	9,736	35,000
Levies and license fees	36,716	34,647
GOSI	8,333	826
Total	54,785	70,473

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

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

•19.3 The Saudi Arabian Monetary Agency (SAMA):

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

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

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

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

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

·19.6 Tadawul:

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

·19.7 Regulatory penalties:

The Company paid no regulatory penalties during the year.

20. Long term incentive plan (LTIP):

As required in terms of the CMA disclosure requirement of Article 27, paragraph 22, during 2010 the Company implemented an approved Long term incentive plan (LTIP), for certain senior executives and the custodian obtained approval for the Bupa Arabia LTIP from the CMA and communicated its details to SAMA as required in terms of Article 57. An outcome of the LTIP is that some of the Company's own shares are held by the custodian on behalf of the senior executive(s) and as a result these have been classified as "Shares held under Long-term incentive plan by the custodian". At 28/02/1435 H, 31/12/2013 G, the shares held by the custodian on behalf of the senior executives numbered 280,318 shares, value SR7,052k. In addition SR2,894k has been accrued by the Company representing the fixed percentage for entitled employees for the year. Further details are reflected in the annual financial statements LTIP note 20.

21. Maintenance of proper records and books of account:

As required in terms of the CMA disclosure requirement of Article 27, paragraph 23, point a), and as required by Saudi Arabian insurance regulations, the Company confirms that proper books of account have been maintained and that it maintains separate accounts for each of Insurance Operations and Shareholder Operations, within its accounting records, and can confirm that it has maintained proper accounting records during the financial year.

22. Internal control system and effectiveness:

As required in terms of the CMA disclosure requirement of Article 27, paragraph 23, point b), the Company confirms the system of internal control is sound, and robust, in design and has been effectively implemented.

23. Continuation as a going concern:

As required in terms of the CMA disclosure requirement of Article 27, paragraph 23, point c), the Company can confirm that there are no significant doubts concerning the Company's ability to continue as a going concern.

24. External auditors:

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

Conclusion:

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

A close-up photograph of a person's hands typing on a white laptop keyboard. The person is wearing a white thobe and a red and white checkered ghutra. The background is blurred, showing a computer monitor and a desk. A dark blue rectangular box is overlaid on the bottom right corner of the image, containing the text "FINANCIAL STATEMENTS" in white, bold, uppercase letters.

**FINANCIAL
STATEMENTS**



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Deloitte & Touche

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INDEPENDENT JOINT AUDITORS' REPORT

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

Scope of audit

We have audited the accompanying statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company ('the Company') as at 31 December 2013, and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and related notes from 1 to 32 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required.

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

Unqualified opinion

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

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter

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

Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



Deloitte & Touche Bakr Abulkhair & Co.

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



Jeddah, Kingdom of Saudi Arabia
19 Rabi Al Thani 1435 H
19 February 2014

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	232,267	204,533
Murabaha deposits	5	956,230	732,340
FVIS investments	6	186,107	87,821
Prepayments and other assets	8	42,370	23,786
Premiums receivable - net	7	410,095	235,259
Reinsurer's share of unearned premiums	14	43,011	-
Reinsurer's share of outstanding claims	15	13,708	-
Deferred policy acquisition costs	9	32,200	22,535
Total insurance operations' assets		1,915,988	1,306,274
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	101,260	13,631
Murabaha deposits	5	126,993	-
FVIS investments	6	446,338	497,158
Other receivables	8	1,319	735
Furniture, fittings and equipment	10	43,059	48,918
Goodwill	3	98,000	98,000
Statutory deposit	11	40,000	40,000
Total shareholders' assets		856,969	698,442
TOTAL ASSETS		2,772,957	2,004,716

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2013

	Notes	2013 SR'000	2012 SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums	14	1,323,069	786,669
Outstanding claims	15	450,096	413,509
Reinsurance balances payable	13	505	443
		1,773,670	1,200,621
Accrued expenses and other liabilities	16	79,113	63,619
Obligation under Long-Term Incentive Plan (LTIP)		14,751	8,099
		1,867,534	1,272,339
Policyholders' share of surplus from insurance operations		48,454	33,935
Total insurance operations' liabilities and surplus		1,915,988	1,306,274
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	16	31,419	26,532
Accrued zakat and income tax	18	35,000	30,306
Amount due to a related party in respect of goodwill	3	-	3,355
Amount due to related parties	12	59,490	4,041
Total shareholders' liabilities		125,909	64,234
Shareholders' equity			
Share capital	19	400,000	400,000
Shares held under employees' share scheme	20	(7,052)	(4,988)
Statutory reserve	21	88,491	59,024
Retained earnings		249,621	180,172
Total shareholders' equity		731,060	634,208
Total shareholders' liabilities and equity		856,969	698,442
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		2,772,957	2,004,716

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2013

	Notes	2013 SR'000	2012 SR'000
REVENUE			
Gross written premiums		3,177,480	2,194,301
Premiums ceded		(79,633)	(2,343)
Net written premiums		3,097,847	2,191,958
Movement in net unearned premiums	14	(493,389)	(63,930)
Net earned premiums		2,604,458	2,128,028
CLAIMS			
Gross claims paid		2,074,049	1,671,622
Claims recovered		(2,574)	(2,815)
Net claims paid		2,071,475	1,668,807
Movement in net outstanding claims	15	22,879	32,244
Net claims incurred		2,094,354	1,701,051
Net underwriting result		510,104	426,977
Investment and commission income		15,485	12,635
Other income		317	429
EXPENSES			
Selling and marketing	22	(209,845)	(138,663)
General and administration	23	(170,875)	(157,564)
SURPLUS FROM INSURANCE OPERATIONS		145,186	143,814
Shareholders' share of surplus from insurance operations	2(b)	(130,667)	(129,433)
Policyholders' share of surplus from insurance operations	2(b)	14,519	14,381
Policyholders' share of surplus from insurance operations at the beginning of the year		33,935	19,554
Policyholders' share of accumulated surplus from insurance operations at the end of the year		48,454	33,935

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2013

	Notes	2013 SR'000	2012 SR'000
REVENUE			
Shareholders' share of surplus from insurance operations	2(b)	130,667	129,433
EXPENSES			
General and administration	23	(3,374)	(5,095)
		127,293	124,338
Investment and commission income		19,989	10,068
Other income		52	-
Net income for the year		147,334	134,406
Weighted average number of ordinary shares outstanding (in thousands)		39,741	39,843
Basic and diluted income per share (in Saudi Arabian Riyals)	30	3.71	3.37

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 SR'000	2012 SR'000
Net income for the year		147,334	134,406
Other comprehensive expense			
Zakat for the year	18	(6,083)	(14,769)
Income tax for the year	18	(8,347)	(5,781)
Total comprehensive income for the year		132,904	113,856

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

	Notes	Share capital	Shares held under employees' share scheme	Statutory reserve	Retained earnings	Total
		SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2012		400,000	(4,988)	59,024	180,172	634,208
Net income for the year		-	-	-	147,334	147,334
Other comprehensive expense						
Zakat for the year	18	-	-	-	(6,083)	(6,083)
Income tax for year	18	-	-	-	(8,347)	(8,347)
Total comprehensive income for the year					132,904	132,904
Transfer to statutory reserve	21	-	-	29,467	(29,467)	-
Dividends	27	-	-	-	(40,000)	(40,000)
Tax recovered from non-Saudi shareholders	2(e)	-	-	-	6,012	6,012
Purchase of additional shares held under LTIP	20	-	(2,064)	-	-	(2,064)
Balance at 31 December 2013		400,000	(7,052)	88,491	249,621	731,060

	Notes	Share capital	Shares held under employees' share scheme	Statutory reserve	Retained earnings	Total
		SR'000	SR'000	SR'000	SR'000	SR'000
Balance at 31 December 2011		400,000	(2,910)	32,143	93,197	522,430
Net income for the year		-	-	-	134,406	134,406
Other comprehensive expense						
Zakat for the year	18	-	-	-	(14,769)	(14,769)
Income tax for year	18	-	-	-	(5,781)	(5,781)
Total comprehensive income for the year					113,856	113,856
Transfer to statutory reserve	21	-	-	26,881	(26,881)	-
Partial disposal of shares held under LTIP	20	-	1,911	-	-	1,911
Purchase of additional shares held under LTIP	20	-	(3,989)	-	-	(3,989)
Balance at 31 December 2012		400,000	(4,988)	59,024	180,172	634,208

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the year		14,519	14,381
Adjustments for:			
Depreciation	23	12,863	14,386
Net movement in unearned premiums	14	536,400	63,930
Reinsurer's share of unearned premiums		(43,011)	-
Allowance/(reversal of allowance) for doubtful premiums receivable - net	7	8,002	(19,558)
Deferred policy acquisition costs		(9,665)	(1,438)
Realised gain on disposal of investments	6	(373)	-
Unrealised gain on investments	6	(4,394)	(5,153)
		514,341	66,548
Changes in assets and liabilities:			
Premiums receivable		(182,838)	124,129
Prepayments and other assets		(18,584)	6,283
Outstanding claims	15	36,587	32,244
Reinsurer's share of outstanding claims	15	(13,708)	-
Due from shareholders' operations		(83,722)	98,805
Reinsurance balances payable		62	(259)
Accrued expenses and other liabilities		15,494	4,116
Obligation under LTIP		6,652	3,253
Net cash from operating activities		274,284	335,119
INVESTING ACTIVITIES			
Purchase of investments	6	(249,490)	(8,160)
Disposal of investments	6	226,830	-
Murabaha deposits, net	5	(223,890)	(674,340)
Net cash used in investing activities		(246,550)	(682,500)
Increase/(decrease) in cash and cash equivalents		27,734	(347,381)
Cash and cash equivalents at beginning of the year		204,533	551,914
Cash and cash equivalents at end of the year	4	232,267	204,533

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES			
Net income for the year		147,334	134,406
Adjustment for:			
Unrealised gain on investments	6	(20,039)	(10,433)
		127,295	123,973
Changes in assets and liabilities:			
Accrued expenses and other liabilities		4,887	5,180
Amount due to related parties		55,449	(359)
Due to insurance operations		83,722	(98,805)
Other receivables		(584)	(491)
		270,769	29,498
Zakat and income tax paid	18	(9,736)	(5,681)
Net cash from operating activities		261,033	23,817
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(7,004)	(21,739)
Murabaha deposits	5	(126,993)	-
Purchase of shares held under LTIP		(2,064)	(3,989)
Disposal of shares held under LTIP		-	1,911
Amount paid to a related party in respect of goodwill	3	(3,355)	-
Net cash used in investing activities		(139,416)	(23,817)
FINANCING ACTIVITIES			
Dividends paid	27	(40,000)	-
Tax recovered from non-Saudi shareholders	2(e)	6,012	-
Net cash used in financing activities		(33,988)	-
Net movement in cash and cash equivalents		87,629	-
Cash and cash equivalents at beginning of the year		13,631	13,631
Cash and cash equivalents at end of the year	4	101,260	13,631

The accompanying notes 1 to 32 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Bupa Arabia For Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 138/K dated 24 Rabi Thani 1429H (corresponding to 1 May 2008). The Commercial Registration number of the Company is 4030178881 dated 5 Jumad Awwal 1429H (corresponding to 11 May 2008). The Registered Office of the Company is situated at: Al-Rawdah Street, Al-Khaleiyah District, P.O. Box 23807, Jeddah 21436, Kingdom of Saudi Arabia.

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

Branch	Commercial Registration Numbers:
Riyadh	1010274696
Khobar	2051041274
Khamis Mushayt	5855036547
Tabuk	3550026191
Makkah	4031068486

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/74 dated 29 Shabaan 1428 H (corresponding to 11 September 2007) pursuant to the Council of Ministers' Resolution No 279 dated 28 Shabaan 1428 H (corresponding to 10 September 2007). The Company is 73.75% owned by Saudi founding shareholders and the general public and 26.25% owned by non-Saudi founding shareholders. The Company was listed on the Saudi Stock Exchange (Tadawul) on 17 May 2008.

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. STATEMENT OF COMPLIANCE

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

b. BASIS OF PREPARATION

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

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

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

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

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

c. FUNCTIONAL AND PRESENTATION CURRENCY

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

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2012 except for the change in accounting policy of Zakat and income tax as explained in note 2(e) below. The new standards, amendments to standards

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

and interpretation which are effective for annual periods beginning after 1 January 2013 have not had a significant effect on the financial statements of the Company. The significant accounting policies used in preparing these financial statements are set out below:

Financial instruments - initial recognition and subsequent measurement

Financial instruments comprise financial assets and financial liabilities.

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

Date of recognition

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

Initial measurement of financial instruments

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

Cash and cash equivalents

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

Murabaha deposits

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

Investments

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

Premiums receivable

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

Policy acquisition costs

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

Goodwill

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

Furniture, fittings and equipment

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

Liability adequacy test

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

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

Accounts payable and accruals

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

Provisions

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

Employees' end of service benefits

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

Obligation under the Long-Term Incentive Plan

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

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

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

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

Shares held under LTIP by a custodian

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

Impairment of financial assets

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

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount,

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

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

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

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

Derecognition

Financial asset

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

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

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

Financial liability

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

Revenue recognition

Premiums earned

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

Investment and commission income

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

Reinsurance premiums

Reinsurance premiums ceded are recognised as an expense when payable.

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

Claims

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

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

Reinsurance contracts held

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

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

Expenses

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

Segmental reporting

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

Leases

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

Foreign currencies

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

Offsetting

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

Cash dividend to shareholders

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

e. CHANGE IN ACCOUNTING POLICY

Zakat and income tax

During the year, 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 year.

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."

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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.

f. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Provision for outstanding claims

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

Allowance for doubtful receivable

A provision for impairment of premiums receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the premiums receivable is impaired.

Deferred acquisition costs

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

Useful lives of furniture, fittings and equipment

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

Fair values of financial instruments

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

g. 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):

Standard	Description
IFRS 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Offsetting Financial Assets and Financial Liabilities
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 and 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

The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of the Company

h. 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 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.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments - Classification and Measurement	To be announced
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 19	Defined Benefit Plans - Employee Contributions	1 July 2014
IAS 32	Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 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 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 the year, 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.

The movement in the amount payable to the Seller in respect of goodwill during the years ended 31 December 2013 and 31 December 2012 are as follows:

	2013 SR'000	2012 SR'000
Balance at beginning of the year	3,355	3,355
Paid during the year	(3,355)	-
Balance at end of the year	-	3,355

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	2013 SR'000	2012 SR'000
Insurance Operations		
Cash in banks (see note 6 (b))	232,267	83,267
Murabaha deposits (see note 5)	-	121,266
	232,267	204,533

Shareholders' Operations

Cash in banks (see note 6 (b))	101,260	13,631
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The Murabaha deposits were held with commercial banks. These Murabaha deposits were denominated in Saudi Arabian Riyals and had an original maturity not exceeding three months.

5. MURABAHA DEPOSITS

Murabaha deposits comprised the following:

	2013 SR'000	2012 SR'000
Insurance Operations		
Murabaha deposits	1,082,935	853,606
Less: Transferred to shareholders' operations (see note (a) below)	(126,705)	-
Less: Murabaha deposits with maturity less than three months (see note 4)	-	(121,266)
	956,230	732,340

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

	2013 SR'000	2012 SR'000
Shareholders' Operations perations		
Murabaha deposits - transferred from insurance operations (see note (a) below)	126,705	-
Murabaha deposit matured during the year	(126,705)	-
Murabaha deposit placed during the year	126,993	-
	126,993	-

a) Amounts payable to shareholders operations are settled, at each reporting date, by transfer of cash or murabaha deposits (see note 6(b)) of an equivalent amount representing fair value between the operations at the respective date.

6. FVIS INVESTMENTS

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

	2013 SR'000	2012 SR'000
Insurance operations	186,107	87,821
Shareholders' operations	446,338	497,158
	632,445	584,979

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

The movements in the investments, during the years ended 31 December 2013 and 31 December 2012, were as follows:

	2013 SR'000	2012 SR'000
Insurance operations		
Balance at beginning of the year	87,821	187,699
Purchased during the year	249,490	8,160
Disposed during the year	(226,830)	-
Transferred from/(to) shareholders' operations (see note (a) below)	70,859	(113,191)
Realised gain during the year	373	-
Unrealised gain during the year	4,394	5,153
Balance at end of the year	186,107	87,821
Shareholders' operations		
Balance at beginning of the year	497,158	373,534
Transferred (to)/from insurance operations (see note (a) below)	(70,859)	113,191
Unrealised gain during the year	20,039	10,433
Balance at end of the year	446,338	497,158

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.

b) Subsequent to 30 June 2013, the Company decided to settle the amount payable to / receivable from shareholders operations by transfer of cash or murabaha deposits, as the case may be, of an equivalent amount representing fair value between the operations at the respective date. At 31 December 2013, the insurance operations transferred murabaha deposits of SR 126,705 thousand (31 December 2012: nil) and cash of SR 73,808 thousand (31 December 2012: nil) to the shareholders' operations.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

7. PREMIUMS RECEIVABLE - NET

	2013 SR'000	2012 SR'000
Gross premiums receivable	462,645	279,807
Allowance for doubtful premiums receivable	(52,550)	(44,548)
Premiums receivable - net	410,095	235,259

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

	2013 SR'000	2012 SR'000
Balance at beginning of the year	44,548	64,106
Provision made during the year (note 22)	8,789	-
Utilisation	(787)	-
Reversal during the year	-	(19,558)
Balance at end of the year	52,550	44,548

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

	Neither past due nor impaired	Up to three months	Above three and up to six months	Above six and up to twelve months	Above twelve months	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2013	17,727	235,216	119,006	31,084	7,062	410,095
31 December 2012	18,123	125,195	62,291	22,765	6,885	235,259

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

In respect of premiums receivable, 5 major customers accounted for 11.5% (2012: 16.6%) of this balance as at 31 December 2013.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

8. PREPAYMENTS AND OTHER ASSETS

	2013 SR'000	2012 SR'000
Insurance Operations		
Prepayments	34,443	19,642
Accrued income	2,212	1,988
Other receivables	5,715	2,156
	42,370	23,786
Shareholders' Operations		
Other receivables	1,319	735

9. DEFERRED POLICY ACQUISITION COSTS

	2013 SR'000	2012 SR'000
Balance at beginning of the year	22,535	21,097
Expenses incurred	72,277	62,860
Amortisation for the year	(62,612)	(61,422)
Balance at end of the year	32,200	22,535

10. FURNITURE, FITTINGS AND EQUIPMENT

	Furniture, fittings and office equip- ment SR'000	Computer applications SR'000	Motor vehicles SR'000	Total SR'000
Shareholders' Operations				
Cost:				
At 1 January 2012	43,158	53,889	-	97,047
Additions during the year 2012	6,209	15,318	212	21,739
At 1 January 2013	49,367	69,207	212	118,786
Additions during the year 2013	2,404	4,600	-	7,004
A row to be added under the highlighted one :	-	11,048	-	11,048
At 31 December 2013	51,771	62,759	212	114,742
Accumulated depreciation:				
At 1 January 2012	16,430	39,052	-	55,482
Charge for the year 2012	3,885	10,469	32	14,386
At 1 January 2013	20,315	49,521	32	69,868
Charge for the year 2013 (see note (a) below)	4,344	8,466	53	12,863
Relating to disposals	-	(11,048)	-	(11,048)
At 31 December 2013	24,659	46,939	85	71,683
Carrying amount: At 31 December 2013	27,112	15,820	127	43,059
At 31 December 2012	29,052	19,686	180	48,918

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

11. STATUTORY DEPOSIT

	2013 SR'000	2012 SR'000
Shareholders' Operations		
Statutory deposit	40,000	40,000

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

12. TRANSACTIONS WITH RELATED PARTIES

In addition to transactions disclosed in notes 3, 6 and 24, following are the details of related party transactions during the year and the related balance at the end of the year:

Related party	Nature of transaction	2013 SR'000	2012 SR'000
Insurance Operations			
Shareholders	Premiums written	46,045	38,988
Shareholders	Premiums ceded (see note (c) below)	76,661	-
Shareholders	Claims paid	25,180	17,330
Shareholders	Medical cost payments to a provider (see note (a) below)	181,812	117,304
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note 17)	9,714	2,130
Shareholders' Operations			
Bupa Middle East Limited E.C. (Related party)	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 31 December 2013, the estimated payable to the related party, for medical cost payments, amounted to SR 29.2 million (31 December 2012: SR 15.8 million).
- b) Amount due to related parties is disclosed in the statement of financial position. Premiums receivable - net, includes premiums receivable from related parties amounting to SR nil (31 December 2012: SR 2,467 thousand).
- c) 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 agreement has been submitted to SAMA and the reinsurer's share of unearned premiums and outstanding claims are disclosed in the statement of financial position.

13. REINSURANCE BALANCES PAYABLE

Reinsurance payable represents amounts payable to two reinsurers (2012: two), based in France and Germany, for the excess of loss (XOL) reinsurance contract.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

14. MOVEMENT IN NET UNEARNED PREMIUMS

	2013 SR'000	2012 SR'000
Insurance Operations		
Unearned premiums at the beginning of the year	786,669	722,739
Unearned premiums at the end of the year	(1,323,069)	(786,669)
	(536,400)	(63,930)
Reinsurer's share of unearned premium at the end of the year	43,011	-
Reinsurer's share of unearned premium at the beginning of the year	-	-
	43,011	-
Movement in net unearned premiums	(493,389)	(63,930)

15. MOVEMENT IN NET OUTSTANDING CLAIMS

	2013 SR'000	2012 SR'000
Insurance Operations		
Outstanding claims at the end of the year	450,096	413,509
Outstanding claims at the beginning of the year	(413,509)	(381,265)
	36,587	32,244
Reinsurer's share of outstanding claims at the end of the year	(13,708)	-
Reinsurer's share of outstanding claims at the beginning of the year	-	-
	(13,708)	-
Movement in net outstanding claims	22,879	32,244

16. ACCRUALS AND OTHER LIABILITIES

	2013 SR'000	2012 SR'000
Insurance Operations		
Accrued expenses	67,104	53,427
Other liabilities	12,009	10,192
	79,113	63,619
Shareholders' Operations		
Accrued expenses	2,203	2,438
Employees' end of service benefits (see note (a) below)	29,216	24,094
	31,419	26,532

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

	2013 SR'000	2012 SR'000
Balance at beginning of the year	24,094	19,842
Charged during the year	8,162	5,183
Paid during the year	(3,040)	(931)
Balance at end of the year	29,216	24,094

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

17. TRADE MARK FEE

During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. Consequent to the increase in the results, a higher rate of trade mark fees is payable for the year. Accordingly, trade mark fee of SR 9,714 thousands (2012: SR 2,130 thousands) payable to a related party has been accounted for in these financial statements (see note 22).

18. ZAKAT AND INCOME TAX

a) Zakat

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

Charge for the year

The Zakat charge relating to the Saudi shareholders consists of:

	2013 SR'000	2012 SR'000
Provision for the year	3,160	11,422
Adjustment for the previous year	2,923	3,347
Charge for the year	6,083	14,769

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

	2013 SR'000	2012 SR'000
Equity	599,196	525,340
Opening allowances and other adjustments	102,577	121,238
Book value of long-term assets	(770,662)	(142,879)
	(68,889)	503,699
Adjusted income for the year (see note below)	171,365	115,794
Zakat base	171,365	619,493
Attributable to Saudi founding shareholders and the general public @ 73.75%	126,382	456,876

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

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

	2013 SR'000	2012 SR'000
Balance at beginning of the year	27,376	14,088
Charge for the year	6,083	14,769
Payment made during the year	(2,135)	(1,481)
Balance at end of the year	31,324	27,376

b) Income tax

Charge for the year

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

	2013 SR'000	2012 SR'000
Provision for the year	8,235	6,079
Adjustment for the previous year	112	(298)
Charge for the year	8,347	5,781

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

	2013 SR'000	2012 SR'000
Balance at beginning of the year	2,930	1,349
Charge for the year	8,347	5,781
Payment made during the year	(7,601)	(4,200)
Balance at end of the year	3,676	2,930

c) Zakat and income tax payable

	2013 SR'000	2012 SR'000
Zakat payable (note (a) above)	31,324	27,376
Income tax payable (note (b) above)	3,676	2,930
	35,000	30,306

d) Status of assessments

During 2012, the Department of Zakat and Income Tax ("DZIT") raised revised assessments for the fiscal periods 2008 through 2010 demanding additional income tax, zakat and withholding tax liability of 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.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

19. SHARE CAPITAL

The share capital of the Company is SR 400 million divided into 40 million shares of SR 10 each (2012: 40 million shares of SR 10 each) and subscribed by the following:

	Percentage holding	2013 SR'000	Percentage holding	2012 SR'000
Founding shareholders	60%	240,000	60%	240,000
General public	40%	160,000	40%	160,000
	100%	400,000	100%	400,000

20. LONG-TERM INCENTIVE PLAN (LTIP)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

	2013		2012	
	Number of shares	Amount SR'000	Number of shares	Amount SR'000
Opening balance	212,161	4,988	147,332	2,910
Purchased during the year	68,157	2,064	161,575	3,989
Sold during the year	-	-	(96,746)	(1,911)
Closing balance	280,318	7,052	212,161	4,988
Market value per share as at 31 December 2013		42.30		27.30

As at the date of the statement of financial position, a liability based on the fair market value of these shares has been recorded by the Company, to the extent the vesting period has been completed by the LTIP members, who have opted for shares as per their last annual election.

In addition, an amount of SR 2,894 thousand (2012: SR 2,307 thousand) has been accrued by the Company representing the fixed percentage of entitled employees' salaries and commission thereon, for which the entitled employees have not yet made the election to purchase the Company's shares.

During the year, an amount of SR 6,851 thousand (2012: SR 5,290 thousand) has been charged to the statement of insurance operations and accumulated surplus under the above plan.

21 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to one hundred percent of the paid up share capital. Accordingly, during the year, the Company has transferred SR 29,467 thousand (2012: SR 26,881 thousand) to the statutory reserve.

22. SELLING AND MARKETING EXPENSES

	2013 SR'000	2012 SR'000
Insurance Operations		
Employee costs	54,694	45,809
Marketing expenses	17,220	18,278
Fulfilment costs	7,601	6,938
Commission expenses	53,843	44,666
Statutory levies	47,662	32,915
Trade mark fee (see note 17)	9,714	2,130
Allowance/(reversal of allowance) for doubtful premiums receivable (note 7)	8,789	(19,558)
Others	10,322	7,485
	209,845	138,663

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

23. GENERAL AND ADMINISTRATION EXPENSES

	2013 SR'000	2012 SR'000
Insurance Operations		
Employee costs	122,191	110,535
Repairs and maintenance costs	12,950	11,955
Travelling expenses	4,214	3,233
Depreciation (see note 10 (a))	12,863	14,386
Communication expenses	5,598	7,793
Others	13,059	9,662
	170,875	157,564
Shareholders' Operations		
Legal and professional fees	1,524	2,847
Board expenses (see note 25)	937	1,467
Corporate Social Responsibility expenses	614	418
Others	299	363
	3,374	5,095

24. INFORMATION RELATING TO KEY MANAGEMENT PERSONNEL

	2013 SR'000	2012 SR'000
Compensation to key management personnel:		
Short-term benefits	9,166	9,607
Long-term benefits	3,195	2,913
	12,361	12,520

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

During 2011, a senior management personnel purchased 7,000 shares of the Company through Tadawul (the Saudi Stock Exchange), for SR 143 thousand, after obtaining the approval from the required regulatory authority. The fair value of the shares as at 31 December 2013 was SR 296 thousand (2012: SR 191 thousand).

25. BOARD OF DIRECTORS' REMUNERATION AND RELATED EXPENSES

	2013 SR'000	2012 SR'000
Board of Directors' remuneration	591	1,044
Board attendance fees	96	78
Other board and sub-committees expenses	250	345
	937	1,467

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

26. SEGMENT INFORMATION

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

Operating segments do not include shareholders' operations of the Company.

Segment results do not include investment and commission income, other income, selling and marketing expenses and general and administration expenses.

Segment assets do not include cash and cash equivalents, murabaha deposits, FVIS investments and prepayments and other assets.

Segment liabilities do not include reinsurance balances payable, accrued expenses and other liabilities, obligations under LTIP and policyholders' share of surplus from insurance operations.

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

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

	For the year ended 31 December 2012		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	1,031,766	1,162,535	2,194,301
Premiums ceded	(1,079)	(1,264)	(2,343)
Net written premiums	1,030,687	1,161,271	2,191,958
Movement in net unearned premiums	(25,256)	(38,674)	(63,930)
Net earned premiums	1,005,431	1,122,597	2,128,028
Gross claims paid	857,014	814,608	1,671,622
Claims recovered	(1,647)	(1,168)	(2,815)
Net claims paid	855,367	813,440	1,668,807
Movement in net outstanding claims	17,007	15,237	32,244
Net claims incurred	872,374	828,677	1,701,051
Net underwriting result	133,057	293,920	426,977
Unallocated income	-	-	13,064
Unallocated expenses	-	-	(296,227)
Surplus from insurance operations			143,814

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

	As at 31 December 2013		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable - net	240,554	169,541	410,095
Reinsurer's share of unearned 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

	As at 31 December 2012		
	Major SR'000	Non-major SR'000	Total SR'000
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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

27. 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 their share of the dividend after adjusting for the income tax in excess to the proportion of the Saudi Shareholders' zakat per share (see note 2(e)).

28. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments:

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

	2013 SR'000	2012 SR'000
Within one year	6,200	4,388
After one year but no more than five years	48,098	25,009
More than five years	27,427	14,478
	81,725	43,875

- b) As at 31 December 2013, performance guarantees amounting to SR 13.7 million (2012: SR 6.3 million) were issued to the customers on behalf of the Company. The Company pledged bank balances equivalent to the amount of performance guarantees to the bank for obtaining such guarantees. The bank balances disclosed in note 4 are inclusive of above-mentioned amount.

29. RISK MANAGEMENT

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

Risk management structure

Board of Directors

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

Audit committee

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

Internal audit

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

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

Insurance risk

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

Geographical concentration of risks

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

Frequency and amounts of claims

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

Independent actuarial review of claims and claims reserves

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

Key assumptions

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

Sensitivities

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

Ultimate loss ratio - Insurance Operations	Change in assumptions	Impact on net liabilities	Impact on insurance operations and accumulated surplus
2013	± 5%	21,819	21,819
2012	± 5%	20,675	20,675

Reinsurance risk

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

The credit risk exposure in respect of reinsurers' share of outstanding claims is SR 13,708 K (2012: nil) (see note 15) and in respect of reinsurance balances receivable is SR 596 K (2012: SR 587 K)

Regulatory framework risk

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

Capital management (solvency) risk

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

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

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

	2013 SR'000	2012 SR'000
Minimum regulatory capital	495,655	364,815

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

Financial risk

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

The Company does not enter into derivative transactions.

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

Market price risk

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

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

A 5% change in the value of investments with all other variables held constant, would impact the Insurance Operations and Shareholders' Operations by SR 9,305 thousand (2012: SR 4,391 thousand) and SR 22,317 thousand (2012: SR 24,858 thousand) respectively.

Commission rate risk

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

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

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

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

	2012 SR '000			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Murabaha deposits	121,266	732,340	-	853,606

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

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

The Shareholders' operations did not have any commission bearing assets as at 31 December 2012.

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

	2013	2012
Insurance operations		
Saudi Riyals:		
Increase in commission rates by 100 basis points	9,562	8,536
Decrease in commission rates by 100 basis points	(9,562)	(8,536)
Shareholders' operations		
Saudi Riyals:		
Increase in commission rates by 100 basis points	1,270	-
Decrease in commission rates by 100 basis points	(1,270)	-

The Shareholders' operations did not have any commission bearing assets or liabilities as at 31 December 2012.

Foreign currency risk

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

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

Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

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

	2013 SR'000	2012 SR' 000
Insurance' Operations		
Cash and cash equivalents	232,267	204,533
Murabaha deposits	956,230	732,340
Premiums receivable - net	410,095	235,259
Reinsurer's share of outstanding claims	13,708	-
Other receivables	5,715	2,156
	1,618,015	1,174,288
Shareholders' Operations		
Cash and cash equivalents	101,260	13,631
Murabaha deposits	126,993	-
Other receivables	1,319	735
	229,572	14,366

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

Insurance operations' financial assets

	Non-investment grade			Total
	Investment grade	Satisfactory	Past due but not impaired	
Cash and cash equivalents	232,267	-	-	232,267
Murabaha deposits	956,230	-	-	956,230
FVIS investments	186,107	-	-	186,107
Premiums receivable - net	-	252,943	157,152	410,095
Reinsurer's share of unearned premiums	43,011	-	-	43,011
Reinsurer's share of outstanding claims	13,708	-	-	13,708
December 31, 2013	1,431,323	252,943	157,152	1,841,418
Cash and cash equivalents	204,533	-	-	204,533
Murabaha deposits	732,340	-	-	732,340
FVIS investments	87,821	-	-	87,821
Premiums receivable - net	-	143,318	91,941	235,259
December 31, 2012	1,259,953	143,318	91,941	1,259,953

Shareholders' operations' financial assets

	Non-investment grade			Total
	Investment grade	Satisfactory	Past due but not impaired	
Cash and cash equivalents	101,260	-	-	101,260
Murabaha deposits	126,993	-	-	126,993
FVIS investments	446,338	-	-	446,338
Statutory deposit	40,000	-	-	40,000
December 31, 2013	714,591	-	-	714,591
Cash and cash equivalents	13,631	-	-	13,631
Murabaha deposits	-	-	-	-
FVIS investments	497,158	-	-	497,158
Statutory deposit	40,000	-	-	40,000
December 31, 2012	550,789	-	-	550,789

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

Liquidity risk

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

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

The Company's financial liabilities consist of outstanding claims, amount due to related parties, reinsurance balances payable and certain other liabilities. All financial liabilities, except for end of service benefits and obligation under LTIP which are non-current in nature, are non-commission bearing and expected to be settled within 12 months from the statement of financial position date.

All assets of the Company are current, except for goodwill, furniture, fittings and equipment and the statutory deposit, which are non-current in nature.

30. EARNINGS PER SHARE

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

31. 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 and other receivables and its financial liabilities consist of outstanding claims, reinsurance balances payable, LTIP, policyholders' share of surplus from insurance operations, amount due to related parties and certain other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 December 2013 and 31 December 2012, apart from the investments which are carried at fair value (note 6), there were no other financial instruments held by the Company that were measured at fair value.

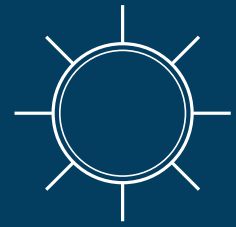
- b) The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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

As at 31 December 2013 and 31 December 2012, all financial instruments which are fair valued are Level 2 instruments. There were no transfers between levels during the years ended 31 December 2013 and 31 December 2012.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 19 February 2014, corresponding to 19 Rabi Al Thani 1435 H.



Bupa Arabia Branches

Riyadh office

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

Jeddah office

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

Dammam office

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

Medina office

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

Burydiah office

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

Al Hasa office

Tel: 0555832270
Al Ahssa, Mojamaa Al
Dawaer Al Hokomeyah

Taif office

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

Jizan Branch office

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

Khamis Mushait office

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

Makkah

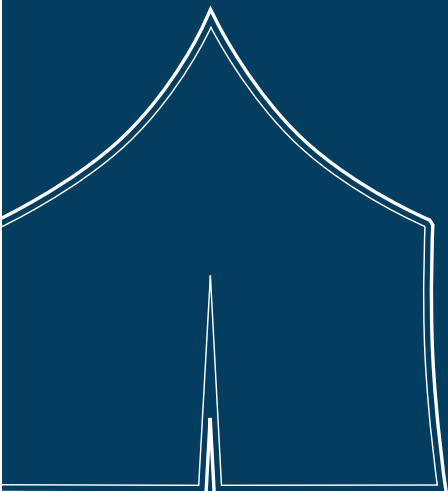
Al Hojoon Street,
in front of Jawazat gate direct

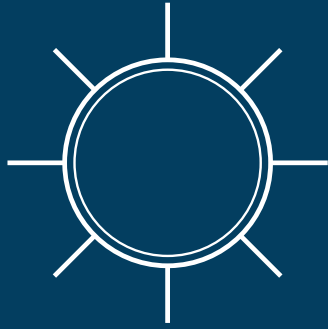
Abha Branch

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

Tabouk office

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





Regional Offices

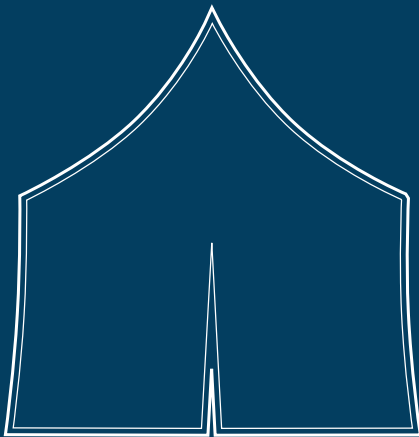
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