

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2015**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2015**

INDEX	PAGE
Independent Auditors' Review Report	1
Interim Statement of Financial Position	2 – 3
Interim Statement of Insurance Operations and Accumulated Surplus	4
Interim Statement of Shareholders' Operations	5
Interim Statement of Shareholders' Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Insurance Operations' Cash Flows	8
Interim Statement of Shareholders' Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 - 25



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INDEPENDENT AUDITORS' REVIEW REPORT

THE SHAREHOLDERS

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

Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia for Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 30 June 2015 and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations and shareholders’ comprehensive income for the three month and six month periods then ended, the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the six-months period then ended and related notes 1 to 17 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

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

for KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

for Aldar Audit Bureau
Abdullah AlBasri & Co.

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Corresponding to 22 July 2015
Jeddah, Kingdom of Saudi Arabia



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

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	<i>Notes</i>	<i>30 June 2015 SR'000 (Unaudited)</i>	<i>31 December 2014 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	1,046,005	1,384,281
Murabaha deposits	6	1,349,312	1,213,027
FVIS investments	7	610,389	189,968
Premiums receivable - net	8	1,280,033	598,687
Reinsurer's share of unearned premium		4,893	39,733
Reinsurer's share of outstanding claims		11,877	13,432
Deferred policy acquisition costs		65,177	56,601
Prepayments and other assets		86,016	70,815
Total insurance operations' assets		4,453,702	3,566,544
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	636,117	462,569
Murabaha deposits	6	-	44,730
FVIS investments	7	453,098	454,578
Other receivables		1,765	1,746
Furniture, fixtures and equipment		69,789	60,667
Goodwill	4	98,000	98,000
Statutory deposit	9	40,000	40,000
Total shareholders' assets		1,298,769	1,162,290
TOTAL ASSETS		5,752,471	4,728,834


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2015

	<i>Notes</i>	<i>30 June 2015 SR'000 (Unaudited)</i>	<i>31 December 2014 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		3,144,801	2,383,358
Outstanding claims	10	1,037,313	812,530
Reinsurance balance payable		5,924	3,253
Accrued expenses and other liabilities		160,426	263,468
Obligation under Long-Term Incentive Plan (LTIP)	13	7,083	22,754
Total insurance operations' liabilities		4,355,547	3,485,363
Insurance operations' surplus			
Policyholders' share of surplus from insurance operations		98,155	81,181
Total insurance operations' liabilities and surplus		4,453,702	3,566,544
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		47,077	42,398
Accrued Zakat and income tax	12	34,961	23,903
Amount due to related parties		25,231	44,490
Total shareholders' liabilities		107,269	110,791
Shareholders' equity			
Share capital		400,000	400,000
Statutory reserve		148,746	148,746
Retained earnings		642,754	502,753
Total shareholders' equity		1,191,500	1,051,499
Total shareholders' liabilities and equity		1,298,769	1,162,290
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		5,752,471	4,728,834


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS**

For the three-month and six-month periods ended 30 June 2015

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2015 SR '000 (Unaudited)</i>	<i>2014 SR '000 (Unaudited)</i>	<i>2015 SR '000 (Unaudited)</i>	<i>2014 SR '000 (Unaudited)</i>
REVENUE				
Gross written premiums	1,891,373	1,376,946	3,970,822	2,798,203
Premiums ceded	(5,973)	(1,468)	(12,153)	(2,748)
Net written premiums	1,885,400	1,375,478	3,958,669	2,795,455
Net movement in unearned premiums	(236,704)	(379,598)	(796,283)	(918,609)
Net earned premiums	1,648,696	995,880	3,162,386	1,876,846
CLAIMS				
Claims paid	1,289,296	773,741	2,393,717	1,434,395
Claims recovered	(2,762)	-	(2,762)	-
Net claims paid	1,286,534	773,741	2,390,955	1,434,395
Net movement in outstanding claims	10 28,311	46,197	226,338	152,596
Net claims incurred	1,314,845	819,938	2,617,293	1,586,991
Net underwriting result	333,851	175,942	545,093	289,855
EXPENSES				
Selling and marketing	(127,485)	(82,765)	(232,022)	(166,625)
General and administrative	(81,881)	(62,880)	(155,704)	(120,147)
Investment and commission income	6,010	4,650	12,187	8,973
Other income	43	3,012	185	3,060
SURPLUS FROM INSURANCE OPERATIONS	130,538	37,959	169,739	15,116
Shareholders' share of surplus from insurance operations	2(b) (117,484)	(36,447)	(152,765)	(13,604)
Policyholders' share of surplus from insurance operations	13,054	1,512	16,974	1,512
Policyholders' share of surplus from insurance operations at the beginning of the period	85,101	48,454	81,181	48,454
Policyholders' share of accumulated surplus from insurance operations at the end of the period	98,155	49,966	98,155	49,966

Chairman

Director and Chief Executive Officer

Chief Financial Officer


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

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


INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and six-month periods ended 30 June 2015

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE				
Shareholders' share of surplus from insurance operations	117,484	36,447	152,765	13,604
EXPENSES				
General and administrative	(2,103)	(1,462)	(3,653)	(2,706)
	<u>115,381</u>	<u>34,985</u>	<u>149,112</u>	<u>10,898</u>
Investment (loss) and commission income	(2,178)	2,858	862	6,157
Net income for the period	<u>113,203</u>	<u>37,843</u>	<u>149,974</u>	<u>17,055</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>40,000</u>	<u>39,720</u>	<u>40,000</u>	<u>39,720</u>
Basic and diluted earnings per share (in Saudi Arabian Riyals) (note 15)	<u>2.83</u>	<u>0.95</u>	<u>3.75</u>	<u>0.43</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2015

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Net income for the period	113,202	37,843	149,974	17,055
<i>Items that will not be reclassified to statement of shareholders' operations</i>				
Other comprehensive income / (expense)				
Provision for Zakat for the period (note 12)	(6,900)	(1,500)	(13,800)	(5,916)
Reversal of prior year Zakat provisions during the period (note 12)	-	26,323	-	26,323
Provision for income tax for the period (note 12)	(9,696)	(3,409)	(19,393)	(6,818)
Income tax recovered from non-Saudi shareholders during the period	23,220	6,182	23,220	6,182
Total comprehensive income for the period	119,826	65,439	140,001	36,826


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six-month period ended 30 June 2015

	Notes	Share capital SR'000	Statutory reserve SR'000	Shares held under employees' share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2014 (Audited)		400,000	148,746	-	502,753	1,051,499
Net income for the period		-	-	-	149,974	149,974
Provision for Zakat for the period	12	-	-	-	(13,800)	(13,800)
Provision for income tax for the period	12	-	-	-	(19,393)	(19,393)
Income tax recovered from non-Saudi shareholders		-	-	-	23,220	23,220
Balance at 30 June 2015 (Unaudited)		400,000	148,746	-	642,754	1,191,500

	Notes	Share capital SR'000	Statutory reserve SR'000	Shares held under employees' share scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2013 (Audited)		400,000	88,491	(7,052)	249,621	731,060
Net income for the period		-	-	-	17,055	17,055
Provision for Zakat for the period	12	-	-	-	(5,916)	(5,916)
Reversal of prior year zakat provisions during the period	12	-	-	-	26,323	26,323
Provision for income tax for the period	12	-	-	-	(6,818)	(6,818)
Dividend		-	-	-	(20,000)	(20,000)
Income tax recovered from non-Saudi shareholders		-	-	-	6,182	6,182
Balance at 30 June 2014 (Unaudited)		400,000	88,491	(7,052)	266,447	747,886

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Chief Financial Officer

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the six-month period ended 30 June 2015

	Notes	Six-month period ended 30 June	
		2015 SR '000 (Unaudited)	2014 SR '000 (Unaudited)
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		16,974	1,512
Adjustments for:			
Depreciation		6,737	5,967
Allowance for doubtful premiums receivable – net	8	12,827	12,268
Income received during the period, net		(861)	-
Unrealised gain on investments		(1,242)	(2,198)
Realised loss/ (gain) on investments		239	(771)
		<u>34,674</u>	<u>16,778</u>
Changes in operating assets and liabilities:			
Premiums receivable		(694,173)	(582,630)
Prepayments and other assets		(15,201)	(422)
Unearned premiums		761,443	879,765
Reinsurer's share of unearned premiums		34,840	38,844
Deferred policy acquisition costs		(8,576)	(4,041)
Outstanding claims		224,783	150,794
Reinsurer's share of outstanding claims		1,555	1,802
Due from shareholders' operations		(6,737)	(5,967)
Reinsurance balances payable		2,671	2,110
Accrued expenses and other liabilities		(103,042)	14,883
Obligation under Long-Term Incentive Plan		(15,671)	3,903
		<u>216,566</u>	<u>515,819</u>
INVESTING ACTIVITY			
Purchase of investments		(418,557)	(390,130)
Disposal of investments		-	390,901
Murabaha deposits, net		(136,285)	40,817
		<u>(554,842)</u>	<u>41,588</u>
Net cash (used in) / from investing activity		(554,842)	41,588
Net (decrease) / increase in cash and cash equivalents		(338,276)	557,407
Cash and cash equivalents at beginning of the period		1,384,281	232,267
Cash and cash equivalents at end of the period	5	<u>1,046,005</u>	<u>789,674</u>

Chairman

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Chief Financial Officer

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the six-month period ended 30 June 2015

	Notes	Six-month period ended 30 June	
		2015 SR'000 (Unaudited)	2014 SR'000 (Unaudited)
OPERATING ACTIVITIES			
Net income for the period		149,974	17,055
Adjustment for:			
Income received during the period, net		(1,545)	-
Unrealised loss / (gain) on investments		1,271	(4,992)
Realised loss / (gain) on investments		758	(168)
		<u>150,458</u>	<u>11,895</u>
Changes in operating assets and liabilities:			
Accrued expenses and other liabilities		4,679	5,540
Amounts due to related parties		(19,259)	(24,242)
Due to insurance operations		6,737	5,967
Other receivables		(19)	(169)
		<u>142,596</u>	<u>(1,009)</u>
Zakat and income tax paid	12	(22,135)	(8,625)
Net cash generated from / (used in) operating activities		<u>120,461</u>	<u>(9,634)</u>
INVESTING ACTIVITY			
Purchase of furniture, fittings and equipment		(15,859)	(16,906)
Purchase of investments		-	(127,676)
Disposal of investments		996	127,844
Murabaha deposits, net		44,730	82,360
		<u>29,867</u>	<u>65,622</u>
Net cash from generated from investing activity			
FINANCING ACTIVITIES			
Dividends paid		-	(20,000)
Income tax recovered from non-Saudi shareholders		23,220	6,182
		<u>23,220</u>	<u>(13,818)</u>
Net cash generated from / (used in) financing activities			
Net increase in cash and cash equivalents		173,548	42,170
Cash and cash equivalents at beginning of the period		462,569	101,260
Cash and cash equivalents at end of the period	5	<u>636,117</u>	<u>143,430</u>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

2 BASIS OF PREPARATION

a. BASIS OF MEASUREMENT

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention except for the measurement at fair value of fair value through income statement (FVIS) investments.

b. STATEMENT OF COMPLIANCE

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

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2014.

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

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

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

In case of deficit in insurance operations result, the entire deficit is borne by the shareholders' operations.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

2 BASIS OF PREPARATION (continued)

b. STATEMENT OF COMPLIANCE (continued)

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

The Company presents its interim statements of financial position broadly in order of liquidity. All financial assets and liabilities except for statutory deposit, are expected to be recovered and settled respectively within twelve months after the interim reporting date.

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

c. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2014. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

(i) *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 period is included in the statement of insurance operations and accumulated surplus for that period. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

(ii) *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 in the statement of insurance operations and accumulated surplus.

(iii) *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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

2 BASIS OF PREPARATION (continued)

c. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(iv) Premium deficiency reserve

Estimation of the premium deficiency for medical business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply in future.

(v) 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. The Company maintains allowance for doubtful receivables in respect of policies written, considering inception date of the insurance coverage as due date, in accordance with the time-based criteria specified in the SAMA implementing regulations.

(vi) 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.

d. FUNCTIONAL AND PRESENTATION CURRENCY

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2014, except for the adoption of the amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company. Certain comparative amounts have been reclassified / regrouped to conform with the current period's presentation.

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

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

Standard /

Interpretation Description

IAS 19	Amendments to IAS 19: the amendment provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.
IFRS 1	Amendments to IFRS 1 First time adoption of IFRS: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.
IFRS 2	Amendments to IFRS 2 Share-Based Payment: the amendment to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY (continued)

<i>Standard / Interpretation</i>	<i>Description</i>
IFRS 3	Amendments to IFRS 3 Business Combinations: amendment to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.
IFRS 8	Amendments to IFRS 8 Operating Segments: amendment requiring explicitly disclosure of judgments made by management in applying aggregation criteria.
IFRS 13	Amendments to IFRS 13 Fair Value Measurement: amendment to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.
IAS 16 and IAS 38	Amendments to IAS 16 "Property plant and equipment" and IAS 38 "intangible assets": amendments to clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.
IAS 24	Amendments to IAS 24 Related Party Disclosures: the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.
IAS 40	Amendments to IAS 40 Investment Property: amendments to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

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

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

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IAS 1	Amendments to IAS 1 Disclosure Initiative	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception	1 January 2016
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture.	1 January 2016
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture Bearer plants	1 January 2016
IAS 27	Amendment to IAS 27 Equity Method in Separate Financial Statements	1 January 2016

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

4 GOODWILL

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

As per the terms of the agreement with the Seller, the Seller was also eligible for additional goodwill consideration of SR 3.4 million. The additional consideration was settled in 2013 after obtaining SAMA's approval.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Insurance Operations		
Cash in banks	1,046,005	1,384,281
Shareholders' Operations		
Cash in banks	636,117	462,569

At 30 June 2015, the Company issued performance guarantees to customers against margin deposits amounting to SR 34.4 million (31 December 2014: SR 23.4 million) placed with the banks. This amount has been included under prepayments and other current assets.

6 MURABAHA DEPOSITS

The Murabaha deposits are held with commercial banks. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity from three months to one year and yield financial income at prevailing market rates

The movements in the Murabaha deposits during the six-month period ended 30 June 2015 and the year ended 31 December 2014 are as follows:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Insurance Operations		
Balance at beginning of the period / year	1,213,027	956,230
Matured during the period / year	(711,477)	(1,795,361)
Placed during the period / year	847,762	2,052,158
Balance at end of the period / year	1,349,312	1,213,027
Shareholders' operations		
Balance at beginning of the period / year	44,730	126,993
Matured during the period / year	(44,730)	(416,177)
Placed during the period / year	-	333,914
Balance at end of the period / year	-	44,730

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

7 FVIS INVESTMENTS

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

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Insurance operations	610,389	189,968
Shareholders' operations	453,098	454,578

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

The movements in the investments during the six-month period ended 30 June 2015 and year ended 31 December 2014 are as follows:

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
<i>Insurance operations</i>		
Balance at beginning of the period / year	189,968	186,107
Purchased during the period / year	418,557	1,013,262
Disposed during the period / year	-	(1,015,240)
Income received during the period/year, net	861	-
Realised (loss) / gain during the period / year	(239)	1,979
Unrealised gain during the period / year	1,242	3,860
Balance at end of the period / year	610,389	189,968
<i>Shareholders' operations</i>		
Balance at beginning of the period / year	454,578	446,338
Purchased during the period / year	-	127,676
Disposed during the period / year	(996)	(127,844)
Income received during the period/year, net	1,545	-
Realised (loss) / gain during the period / year	(758)	168
Unrealised (loss) / gain during the period / year	(1,271)	8,240
Balance at end of the period / year	453,098	454,578

Amount payable to / receivable from shareholders' operations are settled by transfer of cash at each reporting date. During the six months period ended 30 June 2015, the insurance operations transferred cash of SR 149.72 million to the shareholders' operations (31 December 2014: SR 276.9 million).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

8 PREMIUMS RECEIVABLE – NET

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Gross premiums receivable	1,370,718	676,545
Allowance for doubtful premiums receivable	(90,685)	(77,858)
Premiums receivable – net	<u>1,280,033</u>	<u>598,687</u>

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

	30 June 2015 (Unaudited) SR'000	31 December 2014 (Audited) SR'000
Insurance Operations		
Balance at beginning of the period / year	77,858	52,550
(Reversal) / provision made during the period / year	13,422	25,626
Utilized during the period / year	(595)	(318)
Balance at end of the period / year	<u>90,685</u>	<u>77,858</u>

9 STATUTORY DEPOSIT

As required by the SAMA 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.

10 NET MOVEMENT IN OUTSTANDING CLAIMS

a) Net movement in outstanding claims, during the period is as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2015 (Unaudited) SR'000	2014 (Unaudited) SR'000	2015 (Unaudited) SR'000	2014 (Unaudited) SR'000
Insurance Operations				
Gross outstanding claims at end of the period	1,037,313	600,890	1,037,313	600,890
Gross outstanding claims at beginning of the period	(1,009,742)	(554,403)	(812,530)	(450,096)
	<u>27,571</u>	<u>46,487</u>	<u>224,783</u>	<u>150,794</u>
Reinsurer's share of outstanding claims at end of the period	(11,877)	(11,906)	(11,877)	(11,906)
Reinsurer's share of outstanding claims at beginning of the period	12,617	11,616	13,432	13,708
	<u>740</u>	<u>(290)</u>	<u>1,555</u>	<u>1,802</u>
Movement in net outstanding claims	<u>28,311</u>	<u>46,197</u>	<u>226,338</u>	<u>152,596</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

11 TRANSACTIONS WITH RELATED PARTIES

The following are details of major related party transactions during the period ended 30 June 2015 and 30 June 2014 and the related balances at the period end:

<i><u>Related party</u></i>	<i><u>Nature of transaction</u></i>	<i><u>Amount of transaction</u></i>	
		<i>Six-month period ended 30 June 2015 SR'000 (Unaudited)</i>	<i>Six-month period ended 30 June 2014 SR'000 (Unaudited)</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	12,213	12,030
Shareholders	Premium ceded (see note (a) below)	1,562	638
Shareholders	Claims paid	3,468	2,061
Shareholders	Expenses recharged to a related party (see note (b) below)	3,783	1,080
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note (c) below)	7,932	4,697
Key management personnel	Short-term benefits	9,102	5,643
	Long-term benefits	2,440	1,609

- a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the Company's major customers and some minor accounts. The reinsurer's share of unearned premiums and outstanding claims are disclosed in the interim statement of financial position.
- b) Certain employees of the Company, during the six month period ended 30 June 2015, worked on a project owned by one of the shareholder of the Company. As a result, the related costs of those employees, for the period, were recharged to the related party amounting to SR 3,783 thousand and settled during the period (30 June 2014: SR 1,080 thousand).
- c) 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.
- d) Amount due to related parties are disclosed in the interim statement of financial position. Premium receivable-net, includes net premium receivable from related parties amounting to SR 1,850 thousand (31 December 2014: SR Nil).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

12 ZAKAT AND INCOME TAX

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

Movements in the Zakat and income tax accrued during the six month period ended 30 June 2015 and the year ended 31 December 2014 are as follows:

	<i>Zakat payable</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Income tax payable</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Total</i> <i>30 June</i> <i>2015</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Total</i> <i>31 December</i> <i>2014</i> <i>(Audited)</i> <i>SR'000</i>
Balance at beginning of the period / year	12,529	11,374	23,903	35,000
Provided during the period / year	13,800	19,393	33,193	27,969
Reversal of prior years' provisions during the period / year	-	-	-	(26,323)
Payments during the period / year	<u>(6,218)</u>	<u>(15,917)</u>	<u>(22,135)</u>	<u>(12,743)</u>
Balance at end of the period / year	<u><u>20,111</u></u>	<u><u>14,850</u></u>	<u><u>34,961</u></u>	<u><u>23,903</u></u>

Status of assessments

The Company has filed its Zakat and income tax returns for the financial years up to and including the year 2014 with the Department of Zakat and Income Tax (the "DZIT").

The Company has received revised assessments for the fiscal periods 2008 through 2010 raising additional demands in respect of zakat, income tax, withholding tax and fine for delays aggregating to SR 8.8 million principally in respect of disallowance of FVIS investments as a deduction from Zakat base. The Company has also received initial assessments for the periods 2011 through 2014 raising additional demands aggregating to SR 32.4 million on similar items.

The Company has filed an appeal against these assessments and the final conclusions from DZIT are awaited.

During 2014, the Company reversed Zakat provision, relating to prior years, aggregating to SR 26.3 million as management believed that the provisions were no longer required and that no further amounts are expected to be paid for those years to DZIT, to which the reversal provisions related.

During 2015, the Company also filed an appeal with the DZIT relating specifically to the DZIT treatment of the statutory deposit.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

13 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, and other performance measures, of the Company for the three year period.

Under the terms of the original LTIP, a reserve, representing the market value of the shares purchased on behalf of the employees, which cash amount was based on a fixed percentage of the entitled employees' salaries was maintained by the Company annually, over the three year period. The employees in the original LTIP had 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 or to liquidate previously purchased shares into cash.

During 2014, after obtaining the related internal approvals, and regulatory clarification, the Company, prior to 1 December 2014, disposed of all remaining shares held under the LTIP scheme and recorded the obligation under the LTIP scheme equivalent to the current year annual LTIP cash entitlement, as at 31st December 2014, as per the proceeds of the associated shares liquidated. As a result, during 2014, the original LTIP scheme was terminated and these LTIP obligations were partially settled during the first quarter 2015, in terms of the rules per the original LTIP scheme, following the required internal approval.

During 2015, the Company completed the required internal approvals for the launching of a new enhanced LTIP scheme, which is entirely share based, and, during the second quarter of 2015, received the required external regulatory clearance for this enhanced LTIP scheme. As a result the LTIP shares, for the 2015 to 2017 cycle of the LTIP scheme, will be purchased during the third quarter of 2015, after the second quarter prohibition period has ended.

14 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

14 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

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

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

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

	<i>For the three-month period ended 30 June 2015 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	1,073,361	818,012	1,891,373
Premiums ceded	(4,023)	(1,950)	(5,973)
Net written premiums	1,069,338	816,062	1,885,400
Movement in net unearned premiums	(191,224)	(45,480)	(236,704)
Net earned premiums	878,114	770,582	1,648,696
Claims paid	813,115	476,181	1,289,296
Claims recovered	(1,891)	(871)	(2,762)
Net claims paid	811,224	475,310	1,286,534
Movement in net outstanding claims	15,005	13,306	28,311
Net claims incurred	826,229	488,616	1,314,845
Net underwriting result	51,885	281,966	333,851
Unallocated income			6,053
Unallocated expenses			(209,366)
Surplus from insurance operations			130,538

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

14 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2014 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Gross written premiums	777,204	599,742	1,376,946
Premiums ceded	(854)	(614)	(1,468)
Net written premiums	776,350	599,128	1,375,478
Movement in net unearned premiums	(61,850)	(317,748)	(379,598)
Net earned premiums	714,500	281,380	995,880
Claims paid	455,235	318,506	773,741
Claims recovered	-	-	-
Net claims paid	455,235	318,506	773,741
Movement in net outstanding claims	55,630	(9,433)	46,197
Net claims incurred	510,865	309,073	819,938
Net underwriting result	203,635	(27,693)	175,942
Unallocated income			7,662
Unallocated expenses			(145,645)
Surplus from insurance operations			37,959

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

14 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the six-month period ended 30 June 2015 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	2,269,309	1,701,513	3,970,822
Premiums ceded	(8,373)	(3,780)	(12,153)
Net written premiums	2,260,936	1,697,733	3,958,669
Movement in net unearned premiums	(421,112)	(375,171)	(796,283)
Net earned premiums	1,839,824	1,322,562	3,162,386
Claims paid	1,534,505	859,212	2,393,717
Claims recovered	(1,891)	(871)	(2,762)
Net claims paid	1,532,614	858,341	2,390,955
Movement in net outstanding claims	116,161	110,177	226,338
Net claims incurred	1,648,775	968,518	2,617,293
Net underwriting result	191,049	354,044	545,093
Unallocated income			12,372
Unallocated expenses			(387,726)
Surplus from insurance operations			169,739

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

14 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the six-month period ended 30 June 2014 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	1,594,934	1,203,269	2,798,203
Premiums ceded	(1,593)	(1,155)	(2,748)
Net written premiums	1,593,341	1,201,114	2,795,455
Movement in net unearned premiums	(370,337)	(548,272)	(918,609)
Net earned premiums	1,223,004	653,842	1,876,846
Claims paid	840,797	593,598	1,434,395
Claims recovered	-	-	-
Net claims paid	840,797	593,598	1,434,395
Movement in net outstanding claims	117,725	34,871	152,596
Net claims incurred	958,522	628,469	1,586,991
Net underwriting result	264,482	25,373	289,855
Unallocated income			12,033
Unallocated expenses			(286,772)
Surplus from insurance operations			15,116

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

14 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 30 June 2015 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – net	821,020	459,013	1,280,033
Reinsurer's share of unearned premiums	4,893	-	4,893
Reinsurer's share of outstanding claims	11,877	-	11,877
Deferred policy acquisition costs	32,569	32,608	65,177
Unallocated assets	-	-	3,091,722
Total			4,453,702
Insurance operations' liabilities and surplus			
Unearned premiums	2,689,933	454,868	3,144,801
Outstanding claims	652,323	384,990	1,037,313
Unallocated liabilities and surplus	-	-	271,588
Total			4,453,702

	<i>As at 31 December 2014 (Audited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – net	364,505	234,182	598,687
Reinsurer's share of unearned premium	39,733	-	39,733
Reinsurer's share of outstanding claims	13,432	-	13,432
Deferred policy acquisition costs	41,642	14,959	56,601
Unallocated assets	-	-	2,858,091
Total			3,566,544
Insurance operations' liabilities and surplus			
Unearned premiums	1,397,684	985,674	2,383,358
Outstanding claims	535,171	277,359	812,530
Unallocated liabilities and surplus	-	-	370,656
Total			3,566,544

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2015

15 EARNINGS PER SHARE

The basic earnings per share have been calculated by dividing the net income for the period by the weighted average number of ordinary shares issued and outstanding at the period end. During 2014, the Company disposed of all the remaining shares held under LTIP scheme on termination of its original LTIP scheme, which resulted in the weighted average number of shares to be the same as the total shares issued and outstanding at period end.

Diluted earnings / (loss) per share is not applicable to the Company.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The Company's financial assets consist of cash and cash equivalents, murabaha deposits, premiums receivable, investments, re-insurance share of outstanding claims, statutory deposits and other receivables and its financial liabilities consist of outstanding claims, reinsurance balance payable, obligation under LTIP, amount due to related parties and other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 30 June 2015 and 31 December 2014, apart from the FVIS investments which are carried at fair value (note 7), 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 30 June 2015 and 31 December 2014, all financial instruments which are fair valued are Level 2 instruments. There were no transfer between levels 1, 2 and 3 during the period.

17 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 6 Shawal 1436H, corresponding to 22 July 2015.