

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2014**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014**

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INDEPENDENT AUDITORS' REVIEW REPORT

THE SHAREHOLDERS

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

Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 31 March 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the three-month period then ended and related notes from 1 to 13 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standards (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

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

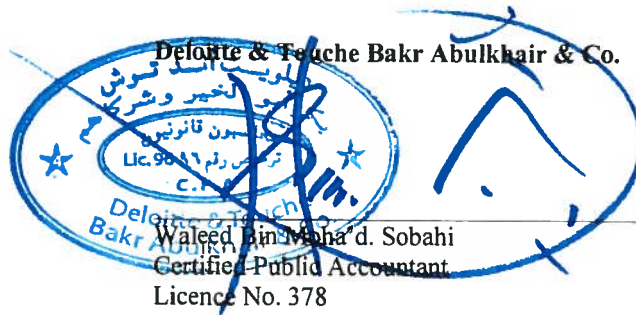
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Jeddah, Kingdom of Saudi Arabia
15 Jumada Al Thani 1435 H
15 April 2014

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	<i>Notes</i>	<i>31 March 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	439,185	232,267
Murabaha deposits	5	956,989	956,230
FVIS investments	6	187,175	186,107
Prepayments and other assets		39,209	42,370
Premiums receivable - net	7	868,561	410,095
Reinsurer's share of unearned premiums		23,826	43,011
Reinsurer's share of outstanding claims		11,616	13,708
Deferred policy acquisition costs		34,172	32,200
Total insurance operations' assets		2,560,733	1,915,988
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	45,812	101,260
Murabaha deposits	5	126,993	126,993
FVIS investments	6	448,818	446,338
Amounts due from related parties	9	542	-
Other receivables		1,992	1,319
Furniture, fittings and equipment		51,554	43,059
Goodwill	3	98,000	98,000
Statutory deposit		40,000	40,000
Total shareholders' assets		813,711	856,969
TOTAL ASSETS		3,374,444	2,772,957

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2014

	<i>Notes</i>	<i>31 March 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		1,842,895	1,323,069
Outstanding claims	8	554,403	450,096
Reinsurance balance payable		1,497	505
		<u>2,398,795</u>	<u>1,773,670</u>
Accrued expenses and other liabilities		94,169	79,113
Obligation under Long-Term Incentive Plan (LTIP)		19,315	14,751
		<u>2,512,279</u>	<u>1,867,534</u>
Policyholders' share of surplus from insurance operations		48,454	48,454
Total insurance operations' liabilities and surplus		<u>2,560,733</u>	<u>1,915,988</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		33,116	31,419
Accrued zakat and income tax	10	42,825	35,000
Amounts due to related parties	9	35,323	59,490
Total shareholders' liabilities		<u>111,264</u>	<u>125,909</u>
Shareholders' equity			
Share capital		400,000	400,000
Shares held under employees' share scheme		(7,052)	(7,052)
Statutory reserve		88,491	88,491
Retained earnings		221,008	249,621
Total shareholders' equity		<u>702,447</u>	<u>731,060</u>
Total shareholders' liabilities and equity		<u>813,711</u>	<u>856,969</u>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>3,374,444</u>	<u>2,772,957</u>

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 13 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 period ended 31 March 2014

	<i>Notes</i>	<i>2014</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>2013</i> <i>SR'000</i> <i>(Unaudited)</i>
REVENUE			
Gross written premiums		1,421,257	824,663
Premiums ceded		(1,280)	(586)
Net written premiums		1,419,977	824,077
Movement in net unearned premiums		(539,011)	(292,379)
Net earned premiums		880,966	531,698
CLAIMS			
Gross claims paid		660,654	452,381
Claims recovered		-	-
Net claims paid		660,654	452,381
Movement in net outstanding claims	8	106,399	9,409
Net claims incurred		767,053	461,790
Net underwriting result		113,913	69,908
Investment and commission income		4,323	5,228
Other income		48	122
EXPENSES			
Selling and marketing		(83,860)	(45,400)
General and administration		(57,267)	(42,365)
DEFICIT FROM INSURANCE OPERATIONS		(22,843)	(12,507)
Shareholders' share of deficit from insurance operations	2(a)	22,843	12,507
Policyholders' share of deficit from insurance operations	2(a)	-	-
Policyholders' share of accumulated surplus from insurance operations at beginning of the period		48,454	33,935
Policyholders' share of accumulated surplus from insurance operations at end of the period		48,454	33,935

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 13 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 period ended 31 March 2014

	<i>Note</i>	2014 SR'000 <i>(Unaudited)</i>	2013 SR'000 <i>(Unaudited)</i>
REVENUE			
Shareholders' share of deficit from insurance operations	2(a)	(22,843)	(12,507)
EXPENSES			
General and administration		(1,244)	(1,799)
		(24,087)	(14,306)
Investment and commission income		3,299	10,290
Net loss for the period		(20,788)	(4,016)
Weighted average number of ordinary shares outstanding (in thousands)		39,720	39,788
Basic and diluted loss per share (in Saudi Arabian Riyals)		(0.52)	(0.10)

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

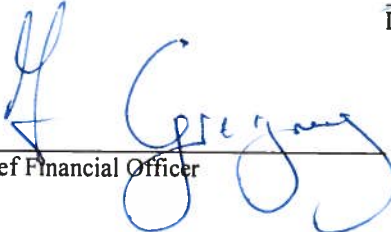
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2014

	<i>Note</i>	<i>2014</i> <i>SR '000</i> <i>(Unaudited)</i>	<i>2013</i> <i>SR '000</i> <i>(Unaudited)</i>
Net loss for the period		(20,788)	(4,016)
Other comprehensive expense			
Zakat for the period	10	(4,416)	(732)
Income tax for the period	10	(3,409)	(1,887)
Total comprehensive loss for the period		(28,613)	(6,635)


Chairman


Chief Financial Officer


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

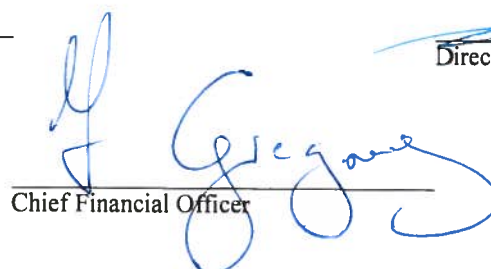
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2014

	Note	Share capital SR'000	Shares held under employees' share scheme SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2013 (Audited)		400,000	(7,052)	88,491	249,621	731,060
Net loss for the period		-	-	-	(20,788)	(20,788)
Zakat for the period	10	-	-	-	(4,416)	(4,416)
Income tax for the period	10	-	-	-	(3,409)	(3,409)
Balance at 31 March 2014 (Unaudited)		400,000	(7,052)	88,491	221,008	702,447

	Note	Share capital SR'000	Shares held under employees' share scheme SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2012 (Audited)		400,000	(4,988)	59,024	180,172	634,208
Net loss for the period		-	-	-	(4,016)	(4,016)
Zakat for the period	10	-	-	-	(732)	(732)
Income tax for the period	10	-	-	-	(1,887)	(1,887)
Balance at 31 March 2013 (Unaudited)		400,000	(4,988)	59,024	173,537	627,573


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Director and Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

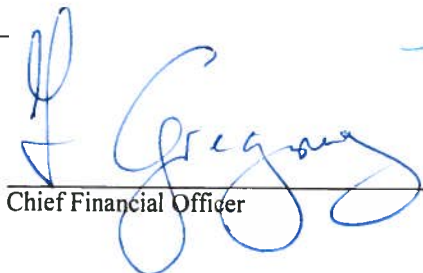
For the three-month period ended 31 March 2014

	<i>Notes</i>	2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)
OPERATING ACTIVITIES			
Policyholders' share of deficit for the period		-	-
Adjustments for:			
Depreciation		2,987	3,426
Net movement in unearned premiums		519,826	292,379
Reinsurer's share of unearned premiums		19,185	-
Allowance for doubtful premiums receivable - net	7	9,752	2,496
Deferred policy acquisition costs		(1,972)	(355)
Unrealised gain on investments	6	(1,068)	(1,591)
		548,710	296,355
Changes in assets and liabilities:			
Premiums receivable		(468,218)	(252,938)
Prepayments and other assets		3,161	(4,633)
Outstanding claims		104,307	9,409
Reinsurer's share of outstanding claims		2,092	-
Due from shareholders' operations		(2,987)	(20,143)
Reinsurance balances payable		992	(14)
Accrued expenses and other liabilities		15,056	(22,478)
Obligation under Long-Term Incentive Plan		4,564	2,276
Net cash from operating activities		207,677	7,834
INVESTING ACTIVITY			
Murabaha deposits, net		(759)	298,037
Net cash (used in)/from investing activity		(759)	298,037
Increase in cash and cash equivalents		206,918	305,871
Cash and cash equivalents at beginning of the period		232,267	204,533
Cash and cash equivalents at end of the period	4	439,185	510,404

Chairman



Chief Financial Officer



Director and Chief Executive Officer



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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 2014

	<i>Notes</i>	2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)
OPERATING ACTIVITIES			
Net loss for the period		(20,788)	(4,016)
Adjustment for:			
Unrealised gain on investments	6	(2,480)	(10,545)
		(23,268)	(14,561)
Changes in assets and liabilities:			
Amounts due from related parties		(542)	-
Accrued expenses and other liabilities		1,697	1,455
Amounts due to related parties		(24,167)	(2,482)
Amount due to a related party in respect of goodwill		-	(3,355)
Due to insurance operations		2,987	20,143
Other receivables		(673)	-
Net cash (used in)/from operating activities		(43,966)	1,200
INVESTING ACTIVITY			
Purchase of furniture, fittings and equipment		(11,482)	(1,200)
Net cash used in investing activity		(11,482)	(1,200)
Net movement in cash and cash equivalents		(55,448)	-
Cash and cash equivalents at beginning of the period		101,260	13,631
Cash and cash equivalents at end of the period	4	45,812	13,631


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2014

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF PREPARATION

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

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

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

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

Shareholders	90%
Policyholders	10%
	<hr/>
	100%
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If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

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

a. BASIS OF PREPARATION (continued)

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

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (“IFRS”) and are consistent with those used for the preparation of annual financial statements. The adoption of new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations by the Company as mentioned in note 2(b) did not have any impact on these interim condensed financial statements.

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

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

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

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

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

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

<i>Standard</i>	<i>Description</i>
IFRS 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IAS 27	Separate Financial Statements
IFRS 11	Joint Arrangements
IAS 28	Investments in Associates and Joint Ventures
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
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

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

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

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

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments	To be announced
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014

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

3 AMOUNT DUE TO A RELATED PARTY IN RESPECT OF GOODWILL

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

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

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised of the following:

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in banks (see note 6 (a))	<u>439,185</u>	<u>232,267</u>
<i>Shareholders' Operations</i>		
Cash in banks (see note 6 (a))	<u>45,812</u>	<u>101,260</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

5 MURABAHA DEPOSITS

The Murabaha deposits are held with commercial banks. These Murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity exceeding three months.

Murabaha deposits comprised the following:

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Murabaha deposits	956,230	1,082,935
Murabaha deposits matured during the period/year	(100,000)	-
Murabaha deposits placed during the period/year	100,759	-
Transferred to shareholders' operations (see note 6(a))	-	(126,705)
	956,989	956,230
	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
<i>Shareholders' Operations</i>		
Murabaha deposits	126,993	-
Murabaha deposits matured during the period/year	(100,000)	(126,705)
Murabaha deposits placed during the period/year	100,000	126,993
Transferred from insurance operations (see note 6(a))	-	126,705
	126,993	126,993

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

6 FVIS INVESTMENTS

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

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Insurance Operations	187,175	186,107
Shareholders' Operations	448,818	446,338
	<u>635,993</u>	<u>632,445</u>

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

The movements in the investments during the three month period ended 31 March 2014 and during the year ended 31 December 2013 are as follows:

<i>Insurance Operations</i>	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at beginning of the period/year	186,107	87,821
Purchased during the period/year	-	249,490
Disposed during the period/year	-	(226,830)
Transferred from shareholders' operations (see note (a) below)	-	70,859
Realised gain during the period/year	-	373
Unrealised gain during the period/year	1,068	4,394
Balance at end of the period/year	<u>187,175</u>	<u>186,107</u>
<i>Shareholders' Operations</i>	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at beginning of the period/year	446,338	497,158
Transferred to insurance operations (see note (a) below)	-	(70,859)
Unrealised gain during the period/year	2,480	20,039
Balance at end of the period/year	<u>448,818</u>	<u>446,338</u>

- a) Amount payable to/receivable from shareholders' operations are settled by transfer of cash, murabaha deposits or FVIS investments, as the case may be, of an equivalent amount representing fair value between the operations at each reporting date. At 31 March 2014, the shareholders' operations transferred cash of SR 55,681 thousand to the insurance operations (31 December 2013: the insurance operations transferred murabaha deposits of SR 126,705 thousand and cash of SR 73,808 thousand to the shareholders' operations).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

7 PREMIUMS RECEIVABLE - NET

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Gross premiums receivable	930,863	462,645
Allowance for doubtful premiums receivable	(62,302)	(52,550)
Premiums receivable - net	868,561	410,095

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

	<i>31 March 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Balance at beginning of the period/year	52,550	44,548
Provision made during the period/year	9,880	8,789
Write offs	(128)	(787)
Balance at end of the period/year	62,302	52,550

8 MOVEMENT IN NET OUTSTANDING CLAIMS

	<i>Three month period ended 31 March 2014 (Unaudited) SR'000</i>	<i>Three month period ended 31 March 2013 (Unaudited) SR'000</i>
<i>Insurance Operations</i>		
Outstanding claims at end of the period	554,403	422,918
Outstanding claims at beginning of the period	(450,096)	(413,509)
	104,307	9,409
Reinsurer's share of outstanding claims at end of the period	(11,616)	-
Reinsurer's share of outstanding claims at beginning of the period	13,708	-
	2,092	-
Movement in net outstanding claims	106,399	9,409

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

9 TRANSACTIONS WITH RELATED PARTIES

In addition to transactions disclosed in notes 3 and 6, following are details of major related party transactions during the three month period ended 31 March 2014 and 31 March 2013, and the related balances at the respective period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Three-month period ended 31 March 2014</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>Three-month period ended 31 March 2013</i> <i>SR'000</i> <i>(Unaudited)</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	35,241	26,858
Shareholders	Premiums ceded (see note (a) below)	289	-
Shareholders	Claims paid	4,018	3,132
Shareholders	Medical cost payments to a provider (see note (b) below)	52,167	25,844
Shareholders	Expenses recharged to a related party (see note (c) below)	536	-
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note (d) below)	2,205	532
Key management personnel	Short-term benefits	2,768	2,644
	Long-term benefits	659	1,209
<i>Shareholders' Operations</i>			
Bupa Middle East Limited E.C. (Related party)	Payment in respect of goodwill consideration (note 3)	-	3,355

- a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the Company's major customers. The reinsurer's share of unearned premiums and outstanding claims are disclosed in the statement of financial position.
- b) The related party is a hospital provider where any of the Company's entitled customers, and their qualified members, can use the facilities of the related party. The Company makes payments for all medical costs of all its contracts, to this provider related party, in accordance with the contractual terms of agreement with the provider related party on an arm's length basis. As at 31 March 2014, the estimated payable to the related party, for medical cost payments, amounted to SR 33.7 million (31 December 2013: SR 29.2 million).
- c) Certain employees of the Company, during the three month period ended 31 March 2014, worked on a project owned by one of the shareholders of the Company. As a result, the related costs of those employees, for the period worked on the project, were recharged to the related party. The amount is disclosed as part of the amounts due from related parties in the interim statement of financial position.
- d) During 2010, the Company entered into an agreement with a related party for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the trade mark fee is payable at different rates linked to the results of the Company, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee.
- e) Amounts due to/from related parties are disclosed in the interim statement of financial position. Premiums receivable - net, includes premiums receivable from related parties amounting to SR 24,788 (31 December 2013: nil).

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At 31 March 2014

10 ZAKAT AND INCOME TAX

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

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

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 31 March 2014 (Unaudited) SR'000</i>	<i>Total 31 December 2013 (Audited) SR'000</i>
At beginning of the period/year	31,324	3,676	35,000	30,306
Provided during the period/year	4,416	3,409	7,825	14,430
Payments during the period/year	-	-	-	(9,736)
Balance at end of the period/year	<u>35,740</u>	<u>7,085</u>	<u>42,825</u>	<u>35,000</u>

Status of assessments

During 2012, the Department of Zakat and Income Tax ("DZIT") raised revised assessments for the fiscal periods 2008 through 2010 demanding additional income tax, zakat and withholding tax liability of SR 8.8 million as well as delay fine for each 30 days delay in payment of assessed additional taxes. 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.

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At 31 March 2014

11 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

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

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

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

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

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

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

	<i>For the three-month period ended 31 March 2014 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	817,730	603,527	1,421,257
Premiums ceded	(739)	(541)	(1,280)
Net written premiums	816,991	602,986	1,419,977
Movement in net unearned premiums	(308,487)	(230,524)	(539,011)
Net earned premiums	508,504	372,462	880,966
Gross claims paid	385,562	275,092	660,654
Claims recovered	-	-	-
Net claims paid	385,562	275,092	660,654
Movement in net outstanding claims	62,095	44,304	106,399
Net claims incurred	447,657	319,396	767,053
Net underwriting result	60,847	53,066	113,913
Unallocated income	-	-	4,371
Unallocated expenses	-	-	(141,127)
Deficit from insurance operations			(22,843)

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At 31 March 2014

11 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 March 2013 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Gross written premiums	370,595	454,068	824,663
Premiums ceded	(263)	(323)	(586)
Net written premiums	370,332	453,745	824,077
Movement in net unearned premiums	(140,891)	(151,488)	(292,379)
Net earned premiums	229,441	302,257	531,698
Gross claims paid	225,099	227,282	452,381
Claims recovered	-	-	-
Net claims paid	225,099	227,282	452,381
Movement in net outstanding claims	4,682	4,727	9,409
Net claims incurred	229,781	232,009	461,790
Net underwriting result	(340)	70,248	69,908
Unallocated income	-	-	5,350
Unallocated expenses	-	-	(87,765)
Deficit from insurance operations			(12,507)

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At 31 March 2014

11 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 31 March 2014 (Unaudited)</i>		
	<i>Major SR'000</i>	<i>Non-major SR'000</i>	<i>Total SR'000</i>
Insurance operations' assets			
Premiums receivable - net	495,816	372,745	868,561
Reinsurer's share of unearned premiums	23,826	-	23,826
Reinsurer's share of outstanding claims	11,616	-	11,616
Deferred policy acquisition costs	19,041	15,131	34,172
Unallocated assets	-	-	1,622,558
Total			2,560,733
Insurance operations' liabilities and surplus			
Unearned premiums	921,072	921,823	1,842,895
Outstanding claims	323,553	230,850	554,403
Unallocated liabilities and surplus	-	-	163,435
Total			2,560,733

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2014

12 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

- 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 March 2014 and 31 December 2013, all financial instruments which are fair valued are Level 2 instruments. There were no transfers between levels during the three month period ended 31 March 2014 and year ended 31 December 2013.

13 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 15 April 2014.