

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2014**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014**

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INDEPENDENT AUDITORS' LIMITED 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 June 30, 2014 and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income for the three-month and six-month periods then ended, and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders operations’ cash flows for the six-month period then ended and related notes from 1 to 15 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 “Interim Financial Reporting” (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our limited 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 limited 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.

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19 Ramadan 1435H
17 July 2014
Jeddah, Kingdom of Saudi Arabia

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	<i>30 June 2014 SR'000 (Unaudited)</i>	<i>31 December 2013 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	789,674	232,267
Murabaha deposits	5	915,413	956,230
FVIS investments	6	188,305	186,107
Prepayments and other assets		42,792	42,370
Premiums receivable – net	7	980,457	410,095
Reinsurer's share of unearned premiums		4,167	43,011
Reinsurer's share of outstanding claims	8	11,906	13,708
Deferred policy acquisition costs		36,241	32,200
Total insurance operations' assets		2,968,955	1,915,988
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	143,430	101,260
Murabaha deposits	5	44,633	126,993
FVIS investments	6	451,330	446,338
Other receivables		1,488	1,319
Furniture, fittings and equipment		53,998	43,059
Goodwill	3	98,000	98,000
Statutory deposit		40,000	40,000
Total shareholders' assets		832,879	856,969
TOTAL ASSETS		3,801,834	2,772,957

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	Notes	30 June 2014 SR'000 (Unaudited)	31 December 2013 SR'000 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		2,202,834	1,323,069
Outstanding claims	8	600,890	450,096
Reinsurance balance payable		2,615	505
Total liabilities arising from insurance contracts		2,806,339	1,773,670
Accrued expenses and other liabilities		93,996	79,113
Obligation under Long-Term Incentive Plan (LTIP)		18,654	14,751
Total insurance operations' liabilities		2,918,989	1,867,534
Policyholders' share of surplus from insurance operations		49,966	48,454
Total insurance operations' liabilities and surplus		2,968,955	1,915,988
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		36,959	31,419
Accrued zakat and income tax	11	12,786	35,000
Amounts due to related parties	10	35,248	59,490
Total shareholders' liabilities		84,993	125,909
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		266,447	249,621
Total shareholders' equity		747,886	731,060
Total shareholders' liabilities and equity		832,879	856,969
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		3,801,834	2,772,957

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS

For the three-month and six month periods ended 30 June 2014

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2014 SR'000	2013 SR'000	2014 SR'000	2013 SR'000
REVENUE					
Gross written premiums		1,376,946	875,696	2,798,203	1,700,359
Premiums ceded		(1,468)	(654)	(2,748)	(1,240)
Net written premiums		1,375,478	875,042	2,795,455	1,699,119
Net movement in unearned premiums		(379,598)	(280,370)	(918,609)	(572,749)
Net earned premiums		995,880	594,672	1,876,846	1,126,370
CLAIMS					
Claims paid		773,741	500,853	1,434,395	953,234
Reinsurance share of claim paid		-	-	-	-
Net claims paid		773,741	500,853	1,434,395	953,234
Net movement in outstanding claims	8	46,197	6,893	152,596	16,302
Net claims incurred		819,938	507,746	1,586,991	969,536
Net underwriting result		175,942	86,926	289,855	156,834
Investment and commission income		4,650	2,417	8,973	7,645
Other income	9	3,012	63	3,060	185
EXPENSES					
Selling and marketing		(82,765)	(61,469)	(166,625)	(106,869)
General and administrative		(62,880)	(42,139)	(120,147)	(84,504)
SURPLUS/(DEFICIT) FROM INSURANCE OPERATIONS		37,959	(14,202)	15,116	(26,709)
Shareholders' share of (surplus)/deficit from insurance operations	2(a)	(36,447)	14,202	(13,604)	26,709
Policyholders' share of surplus from insurance operations		1,512	-	1,512	-
Policyholders' share of surplus from insurance operations at the beginning of the period		48,454	33,935	48,454	33,935
Policyholders' share of accumulated surplus from insurance operations at the end of the period		49,966	33,935	49,966	33,935

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and six month periods ended 30 June 2014

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Shareholders' share of surplus/(deficit) from insurance operations	36,447	(14,202)	13,604	(26,709)
EXPENSES				
General and administrative	(1,462)	(1,560)	(2,706)	(3,359)
	34,985	(15,762)	10,898	(30,068)
Investment income	2,858	1,576	6,157	11,866
Net income/(loss) for the period	37,843	(14,186)	17,055	(18,202)
Weighted average number of ordinary shares outstanding (in thousands)	39,720	39,731	39,720	39,759
Basic and diluted income /(loss) per share (in Saudi Arabian Riyals)	0.95	(0.36)	0.43	(0.46)

Chairman

Director and Chief Executive Officer

Chief Financial Officer

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six month periods ended 30 June 2014

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2014 SR'000</i>	<i>2013 SR'000</i>	<i>2014 SR'000</i>	<i>2013 SR'000</i>
Net income/(loss) for the period	37,843	(14,186)	17,055	(18,202)
Other comprehensive income/(expense)				
Provision for zakat for the period (Note 11)	(1,500)	(2,193)	(5,916)	(2,925)
Reversal of prior year zakat provisions during the period (Note 11)	26,323	-	26,323	-
Provision for income tax for the period (Note 11)	(3,409)	(1,944)	(6,818)	(3,831)
Income tax recovered from non-Saudi shareholders during the period	6,182	6,012	6,182	6,012
Total comprehensive income/(loss) for the period	65,439	(12,311)	36,826	(18,946)


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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 CHANGES IN SHAREHOLDERS' EQUITY

For the three-month and six month periods ended 30 June 2014

		<i>Shares held under employees'</i>		<i>Statutory</i>	<i>Retained</i>	<i>Total</i>
	<i>Notes</i>	<i>Share capital</i>	<i>share scheme</i>	<i>reserve</i>	<i>earnings</i>	<i>Total</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at 31 December 2013 (Audited)		400,000	(7,052)	88,491	249,621	731,060
Net income for the period		-	-	-	17,055	17,055
Provision for zakat for the period	11	-	-	-	(5,916)	(5,916)
Reversal of prior year zakat provision during the period	11	-	-	-	26,323	26,323
Provision for income tax for the period	11	-	-	-	(6,818)	(6,818)
Dividend	13	-	-	-	(20,000)	(20,000)
Income tax recovered from non-Saudi shareholders		-	-	-	6,182	6,182
Balance at 30 June 2014 (Unaudited)		400,000	(7,052)	88,491	266,447	747,886

		<i>Shares held under employees'</i>		<i>Statutory</i>	<i>Retained</i>	<i>Total</i>
	<i>Notes</i>	<i>Share capital</i>	<i>share scheme</i>	<i>reserve</i>	<i>earnings</i>	<i>Total</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at 31 December 2012 (Audited)		400,000	(4,988)	59,024	180,172	634,208
Net loss for the period		-	-	-	(18,202)	(18,202)
Zakat for the period	11	-	-	-	(2,925)	(2,925)
Income tax for the period	11	-	-	-	(3,831)	(3,831)
Dividend	13	-	-	-	(40,000)	(40,000)
Tax recovered from non-Saudi shareholders		-	-	-	6,012	6,012
Purchase of additional shares held under LTIP		-	(2,064)	-	-	(2,064)
Balance at 30 June 2013 (Unaudited)		400,000	(7,052)	59,024	121,226	573,198

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three-month and six month periods ended 30 June 2014

		<i>Six-month period ended</i>	
		<i>30 June</i>	
	<i>Notes</i>	<i>2014</i>	<i>2013</i>
		<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		1,512	-
Adjustments for:			
Depreciation		5,967	6,786
Allowance for doubtful premiums receivable – net	7	12,268	(1,801)
Unrealised gain on investments	6	(2,198)	(1,807)
Realised gain on investments	6	(771)	-
		<u>16,778</u>	<u>3,178</u>
Changes in assets and liabilities:			
Premiums receivable		(582,630)	(397,184)
Prepayments and other assets		(422)	(1,878)
Unearned premiums		879,765	572,749
Reinsurer's share of unearned premiums		38,844	9,093
Deferred policy acquisition costs		(4,041)	(373)
Outstanding claims		150,794	16,302
Reinsurer's share of outstanding claims		1,802	-
Due from shareholders' operations		(5,967)	(77,645)
Reinsurance balances payable		2,110	41
Accrued expenses and other liabilities		14,883	(215)
Obligation under Long-Term Incentive Plan		3,903	1,844
		<u>515,819</u>	<u>125,912</u>
Net cash from operating activities			
INVESTING ACTIVITY			
Purchase of investments		(390,130)	(212,149)
Disposal of investments		390,901	226,763
Murabaha deposits, net		40,817	(197,341)
		<u>41,588</u>	<u>(182,727)</u>
Net cash from / (used in) investing activity			
Change in cash and cash equivalents		557,407	(56,815)
Cash and cash equivalents at beginning of the period		232,267	204,533
Cash and cash equivalents at end of the period	4	<u>789,674</u>	<u>147,718</u>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month and six month periods ended 30 June 2014

	Notes	Six-month period ended 30 June	
		2014 SR'000 (Unaudited)	2013 SR'000 (Unaudited)
OPERATING ACTIVITIES			
Net income/(loss) for the period		17,055	(18,202)
Adjustment for:			
Unrealised gain on investments	6	(4,992)	(12,204)
Realised gain on investments	6	(168)	-
		11,895	(30,406)
Changes in assets and liabilities:			
Accrued expenses and other liabilities		5,540	3,188
Amounts due to related parties		(24,242)	(1,586)
Amount due to a related party in respect of goodwill		-	(3,355)
Due to insurance operations		5,967	77,645
Other receivables		(169)	(341)
		(1,009)	45,145
Zakat and income tax paid	11	(8,625)	(6,696)
		(9,634)	38,449
Net cash (used in)/from operating activities			
INVESTING ACTIVITY			
Purchase of furniture, fittings and equipment		(16,906)	(2,397)
Purchase of investments		(127,676)	-
Disposal of investments		127,844	-
Murabaha deposits, net		82,360	-
Purchase of shares held under LTIP		-	(2,064)
Net cash from/(used in) investing activity		65,622	(4,461)
FINANCING ACTIVITIES			
Dividends paid	13	(20,000)	(40,000)
Tax recovered from non-Saudi shareholders		6,182	6,012
Net cash used in financing activities		(13,818)	(33,988)
Net increase in cash and cash equivalents		42,170	-
Cash and cash equivalents at beginning of the period		101,260	13,631
Cash and cash equivalents at end of the period	4	143,430	13,631

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six month periods ended 30 June 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-Khaleidiyah District,
P.O. Box 23807,
Jeddah 21436,
Kingdom of Saudi Arabia.

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF PREPARATION

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

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

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for Insurance Operations and Shareholders’ Operations and presents the financial statement 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.

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

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

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders’ operations.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 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 where applicable, which were issued by the International Accounting Standards Board (IASB):

<i>Standard</i>	<i>Description</i>
IAS 1	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRS 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 21	Levies

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 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>30 June 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>789,674</u>	<u>232,267</u>
<i>Shareholders' Operations</i>		
Cash in banks (see note 6 (a))	<u>143,430</u>	<u>101,260</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

5 MURABAHA DEPOSITS

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

Murabaha deposits comprised the following:

	<i>30 June</i> <i>2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>SR'000</i>
<i>Insurance Operations</i>		
Balance at beginning of the period/year	956,230	1,082,935
Murabaha deposits matured during the period/year	(686,809)	-
Murabaha deposits placed during the period/year	645,992	-
Transferred to shareholders' operations (see note 6(a))	-	(126,705)
	<u>915,413</u>	<u>956,230</u>
Balance at end of the period/year	<u>915,413</u>	<u>956,230</u>
	<i>30 June</i> <i>2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>SR'000</i>
<i>Shareholders' Operations</i>		
Balance at beginning of the period/year	126,993	-
Murabaha deposits matured during the period/year	(271,545)	(126,705)
Murabaha deposits placed during the period/year	189,185	126,993
Transferred from insurance operations (see note 6(a))	-	126,705
	<u>44,633</u>	<u>126,993</u>
Balance at end of the period/year	<u>44,633</u>	<u>126,993</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

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6 FVIS INVESTMENTS

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

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Insurance Operations	188,305	186,107
Shareholders' Operations	451,330	446,338
	<u>639,635</u>	<u>632,445</u>

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

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

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Balance at beginning of the period/year	186,107	87,821
Purchased during the period/year	390,130	249,490
Disposed during the period/year	(390,901)	(226,830)
Transferred from shareholders' operations (see note (a) below)	-	70,859
Realised gain during the period/year	771	373
Unrealised gain during the period/year	2,198	4,394
Balance at end of the period/year	<u>188,305</u>	<u>186,107</u>
<i>Shareholders' Operations</i>		
Balance at beginning of the period/year	446,338	497,158
Purchased during the period/year	127,676	-
Disposed during the period/year	(127,844)	-
Transferred to insurance operations (see note (a) below)	-	(70,859)
Realised gain during the period/year	168	-
Unrealised gain during the period/year	4,992	20,039
Balance at end of the period/year	<u>451,330</u>	<u>446,338</u>

- a) Amount payable to/receivable from shareholders' operations are settled by transfer of cash, murabaha deposits or FVIS investments, as the case may be, of an equivalent amount representing fair value between the operations at each reporting date. At 30 June 2014, the shareholders' operations transferred cash of SR 14.3 million to the insurance operations (31 December 2013: the insurance operations transferred FVIS investments of SR 70.9 million, murabaha deposits of SR 126.7 million and cash of SR 73.8 million to the shareholders' operations).

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At 30 June 2014

7 PREMIUMS RECEIVABLE - NET

	<i>30 June 2014 (Unaudited) SR'000</i>	<i>31 December 2013 (Audited) SR'000</i>
Gross premiums receivable	1,045,071	462,645
Allowance for doubtful premiums receivable	(64,614)	(52,550)
Premiums receivable – net	<u>980,457</u>	<u>410,095</u>

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

	<i>30 June 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	12,268	8,789
Provision utilised during the period/year	(204)	(787)
Balance at end of the period/year	<u>64,614</u>	<u>52,550</u>

8 MOVEMENT IN NET OUTSTANDING CLAIMS

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>	<i>2014 (Unaudited) SR'000</i>	<i>2013 (Unaudited) SR'000</i>
<i>Insurance Operations</i>				
Outstanding claims at end of the period	600,890	429,811	600,890	429,811
Outstanding claims at beginning of the period	(554,403)	(422,918)	(450,096)	(413,509)
	<u>46,487</u>	<u>6,893</u>	<u>150,794</u>	<u>16,302</u>
Reinsurer's share of outstanding claims at end of the period	(11,906)	-	(11,906)	-
Reinsurer's share of outstanding claims at beginning of the period	11,616	-	13,708	-
	<u>(290)</u>	<u>-</u>	<u>1,802</u>	<u>-</u>
Movement in net outstanding claims	<u>46,197</u>	<u>6,893</u>	<u>152,596</u>	<u>16,302</u>

9 OTHER INCOME

Other income includes an amount of SR 3 million (June 2013: SR Nil) related to Bupa Arabia health consultancy support.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

10 TRANSACTIONS WITH RELATED PARTIES

In addition to transactions disclosed in notes 3 and 6, following are details of major related party transactions during the six month period ended 30 June 2014 and 30 June 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>Six-month period ended 30 June 2013 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	12,030	33,713
Shareholders	Premiums ceded (see note (a) below)	638	-
Shareholders	Claims paid	2,061	5,769
Shareholders	Medical cost payments to a provider (see note (b) below)	-	32,698
Shareholders	Expenses recharged to a related party (see note (c) below)	1,080	-
Bupa Middle East Holdings Two W.L.L. (Related party)	Trade mark fee (see note (d) below)	4,697	1,128
Key management personnel	Short-term benefits	5,643	5,407
	Long-term benefits	1,609	1,872
<i>Shareholders' Operations</i>			
Bupa Middle East Limited E.C. (Related party)	Payment in respect of goodwill consideration (note 3)	-	3,355

- a) The premiums ceded are to a related party reinsurer for a significant portion of the premiums written of one of the Company's major customers. The reinsurer's share of unearned premiums and outstanding claims are disclosed in the interim statement of financial position.
- b) The related party was a hospital provider where any of the Company's entitled customers, and their qualified members, can use the facilities of the related party. The Company makes payments for all medical costs of all its contracts, to this provider related party, in accordance with the contractual terms of agreement with the provider related party on an arm's length basis. During 2014, the related party sold its holding in the Company, therefore, is not a related party as of 30 June 2014.
- c) Certain employees of the Company, during the six month period ended 30 June 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. An amount of SR 1,080 thousand was settled by the shareholder during the current quarter.
- 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 2,623 (31 December 2013: nil).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

11 ZAKAT AND INCOME TAX

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

Movements in the zakat and income tax payable accrued during the six month period ended 30 June 2014 and during the year ended 31 December 2013 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 2014</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Total</i> <i>31 December 2013</i> <i>(Audited)</i> <i>SR'000</i>
At beginning of the period/year	31,324	3,676	35,000	30,306
Provided during the period/year	5,916	6,818	12,734	14,430
Reversal of prior year provisions during the period/year	(26,323)	-	(26,323)	-
Payments during the period/year	(2,891)	(5,734)	(8,625)	(9,736)
Balance at end of the period/year	<u>8,026</u>	<u>4,760</u>	<u>12,786</u>	<u>35,000</u>

Status of assessments

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

During 2012, 2013 and 2014, the DZIT issued initial assessments for the years 2011, 2012 and 2013 with additional zakat liabilities of SR 7.5 million, 11.5 million and 12.4 million respectively. The Company has filed an appeal against these assessments and the final conclusions are awaited.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

12 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

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

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

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

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

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

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

	<i>For the three-month period ended 30 June 2014 (Unaudited)</i>		
	Major	Non-major	Total
	<i>SR'000</i>	<i>SR'000</i>	<i>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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

12 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2013 (Unaudited)</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	459,418	416,278	875,696
Premiums ceded	(288)	(366)	(654)
Net written premiums	459,130	415,912	875,042
Net movement in unearned premiums	(139,320)	(141,050)	(280,370)
Net earned premiums	319,810	274,862	594,672
Claims paid	257,942	242,911	500,853
Net movement in outstanding claims	3,506	3,387	6,893
Net claims incurred	261,448	246,298	507,746
Net underwriting result	58,362	28,564	86,926
Unallocated income			2,480
Unallocated expenses			(103,608)
Deficit from insurance operations			(14,202)

	<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	1,202,114	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
Gross 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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

12 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the six-month period ended 30 June 2013 (Unaudited)</i>		
	Major <i>SR'000</i>	Non-major <i>SR'000</i>	Total <i>SR'000</i>
Gross written premiums	830,013	870,346	1,700,359
Premiums ceded	(551)	(689)	(1,240)
Net written premiums	829,462	869,657	1,699,119
Net movement in unearned premiums	(280,211)	(292,538)	(572,749)
Net earned premiums	549,251	577,119	1,126,370
Claims paid	483,041	470,193	953,234
Net movement in outstanding claims	8,188	8,114	16,302
Net claims incurred	491,229	478,307	969,536
Net underwriting result	58,022	98,812	156,834
Unallocated income			7,830
Unallocated expenses			(191,373)
Deficit from insurance operations			(26,709)
	<i>As at 30 June 2014 (Unaudited)</i>		
	Major <i>SR'000</i>	Non-major <i>SR'000</i>	Total <i>SR'000</i>
Insurance operations' assets			
Premiums receivable – net	614,574	365,883	980,457
Reinsurer's share of unearned premiums	4,167	-	4,167
Reinsurer's share of outstanding claims	11,906	-	11,906
Deferred policy acquisition costs	17,254	18,987	36,241
Unallocated assets	-	-	1,936,184
Total			2,968,955
Insurance operations' liabilities and surplus			
Unearned premiums	1,048,729	1,154,105	2,202,834
Outstanding claims	352,223	248,667	600,890
Unallocated liabilities and surplus	-	-	165,231
Total			2,968,955

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

12 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

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

13 DIVIDENDS

On 7 May 2014 the Company's board of directors proposed to pay a dividend, for the year ended 31 December 2013 of SR 0.5 per share totalling SR 20 million to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 5 June 2014 (Corresponding to 7 Shaban 1435H). Accordingly, the dividend payment was made on 25 June 2014.

14 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2014

14 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at 30 June 2014 and 31 December 2013, all financial instruments which are fair valued are Level 2 instruments. There were no transfers between levels during the six month period ended 30 June 2014 and year ended 31 December 2013.

15 BOARD OF DIRECTORS' APPROVAL

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