

Bupa Arabia for Cooperative Insurance Company

Board of Directors Report

for the period ended 31/12/2010:

The Board of Directors of Bupa Arabia for Cooperative Insurance Company is pleased to present the annual report covering the company's financial results and achievements, followed by the audited financial statements and notes for the twelve month period ended 31 December 2010. This Board report includes the most important developments, financial results, operational activities and disclosures in compliance with the rules and regulations of the Kingdom of Saudi Arabia.

1. Main activities:

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

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

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

The prior year financial statements, for the twenty months ended 14/01/1431 H, 31/12/2009 G, represented the first statutory financial statements of the company. For ease of comparative reference the figures contained within this Board report compare the results for each of the twelve month periods ended 14/01/1431 H, 31/12/2009 G and 25/01/1432 H, 31/12/2010 G.

2. Asset purchase agreement and transfer of insurance portfolio:

The Company completed its IPO process on 07/03/1429 H, 15/03/2008 G and a request was submitted to His Excellency the Minister of Trade and Industry to announce the Company. This request was approved by the ministry on 24/04/1429 H, 01/05/2008 G.

The licence to establish the Company was approved by Royal Decree No. M/74 dated 29/08/1428 H, 11/09/2007 G, and by the declaration from the Council of Ministers No. 279 dated 28/08/1428 H, 10/09/2007 G.

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

The Company entered into an agreement to purchase the insurance portfolio and the net assets of Bupa Middle East Limited E.C., a company registered in the Kingdom of Bahrain. A due diligence exercise was completed and the business valuation results, as independently verified by external third party auditors, actuary and loss adjuster, as required per the SAMA regulations, was presented to SAMA.

According to SAMA letter no. 2173/MZ/MT, dated 12/11/1429 H, 10/11/2008 G, SAMA returned an assessment summary for the insurance portfolio of Bupa Middle East Limited E.C.. An Ordinary General Assembly was thereafter called by the Company to inform the shareholders of the final outcome of the SAMA assessment process and to decide whether to purchase the insurance portfolio or not.

An Ordinary General Assembly meeting took place on 30/12/1429 H, 28/12/2008 G, in which meeting it was approved unanimously to purchase the insurance portfolio of Bupa Middle East Limited E.C. in accordance with the assessment by SAMA and the prescribed SAMA guidelines. The Shareholders authorised the Board of Directors to complete the acquisition and agree on the terms and conditions of the purchase. The insurance portfolio acquisition agreement was entered into between Bupa Arabia (the purchaser), Bupa Middle East Limited E.C. (the seller) and ASAS Healthcare Company Limited (the agent of Bupa Middle East Limited E.C. in Saudi Arabia). The acquisition agreement was effective 04/01/1430 H, 01/01/2009 G.

The Shareholders approved unanimously, during an Ordinary General Assembly meeting on 19/09/1430 H, 09/09/2009 G, that the company enter into a licensing agreement for the use of Bupa's trademark (the word Bupa, with or without logo). At the same meeting the Shareholders approved that the company enter into agreements for utilising information systems and services with Bupa Asia, with the agreements providing for the possible technical and financial services of Bupa Finance. The Shareholders authorised the Board of Directors to agree on the terms and conditions of these agreements.

Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no IS928 dated 07/07/1430 H, 30/06/2009 G. The 2009 first quarter interim financial statements were re-issued on 28/07/1430 H, 21/07/2009 G. The re-issue of the 2009 first quarter interim financial statements was required as the first quarter results were originally issued without the insurance operations as the final SAMA assessment, and other insurance portfolio transfer formalities, were in progress.

3. Approval of the company's products from the Saudi Arabian Monetary Agency (SAMA):

The Company received final official SAMA approval for its initial products through SAMA's letter numbered AS229, dated 19/02/1430 H, 15/02/2009 G. The Company's products are in compliance with the executive summary of the Supervision of Cooperative Insurance Law.

4. Final eligibility from the Council of Cooperative Health Insurance (CCHI):

The Company received final official CCHI eligibility through CCHI's letter numbered 5821/30/2/T, dated 11/03/1430 H, 08/03/2009 G.

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

• 5.1 Strategy review phase completed:

The Company completed a strategy review of its prime business activities and obtained the Board's approval for its implementation during 2011. Elements of the strategy include further enhancements to core business processes in support of the further development of the Company's customer service/healthcare leadership and the development of new distribution channels and services to small and medium sized enterprises (SMEs).

• 5.2 Corporate governance structure review:

The Company completed a thorough review of its corporate governance structure, and obtained Board approval for it in October 2010. This included the introduction of a Risk and Compliance Committee (R&CC), as a sub-committee of the Audit Committee, and updated Terms of Reference (TOR) for each of the Board committees. More details are disclosed in the Board and committees section of this report.

• 5.3 Jeddah head office relocation completed:

The Company successfully completed its Jeddah head office relocation to larger, purpose built premises situated in Al-Rawdah Street, Al-Khaledeyah District during the first half of the year. The new premises will support the Company's growth plans in enhancing the customer experience of its members and providing first class facilities for its staff.

• 5.4 New sales outlets approval received from SAMA:

During 2010 the Company received SAMA's initial approval for the opening of twenty-three new Sales outlets (per SAMA's letter numbered 51747/MT/1987 dated 05/11/1431 H, 19/04/2010 G). The Company successfully opened its first outlets in the Western (third quarter) and Central and Southern (fourth quarter) regions and will be opening further outlets during 2011.

• 5.5 Trade mark sub license agreement concluded:

Further to the Shareholder approval granted through the Ordinary General Assembly meeting, of 19/09/1430 H, 09/09/2009 G, the Company entered into a Trade mark sub license agreement, with Bupa Middle East Holdings Two W.L.L., a Bahrain based company, to use Bupa Trade marks (the word Bupa, with or without logo). More details are disclosed within the notes to the financial statements.

• 5.6 Long term incentive plan (LTIP) implemented:

The Company implemented an approved Long term incentive plan, for certain senior executives, during the twelve month period. A custodian was appointed for the independent management of the shares acquisition if such election was made by the senior executive(s). The custodian obtained approval for the Bupa Arabia LTIP from the CMA and at 25/01/1432 H, 31/12/2010 G, the shares numbered 140,017 (purchase value SR2.7m). The Company communicated the details of the LTIP to SAMA as required in terms of Article 57. An outcome of the LTIP is that some of the Company's own shares are held by the custodian on behalf of the senior executive(s) and as a result these have been classified as "Shares held under Long-term incentive plan by the custodian". More details are disclosed within the notes to the financial statements.

• 5.7 Chief executive team (CET):

New senior executive management team members were introduced during the year, following regulatory approval, in the form of a Chief executive team (CET) to build the capability and strengthen the development of the business. The CET comprises the Chief Executive Officer, the Chief Financial Officer (appointed July 2010), the Chief Commercial Officer, the Chief Operations Officer (appointed April 2010) and the Chief Human Resources Officer (appointed July 2010).

• 5.8 Business continuity plan (BCP) developments:

The Company invested resources into the further development of its BCP and Disaster Recovery plans, subsequent to the office relocation, and the enhanced process and procedures will be implemented during 2011.

• 5.9 Corporate social responsibility (CSR):

Being socially ethical and committed to encouraging a more health conscious society is one of the many goals that inspired Bupa Arabia to commit to a CSR programme. Taking action on CSR begins with recognizing that it is a strategic issue that permeates all aspects of corporate behaviour and is a core value of Bupa Arabia. The Company encourages a mindset that is in tune with the society and community in which the Company operates and make its living.

Bupa Arabia has identified the first phase CSR practices for implementation in 2011. In collaboration with its executives and with Board approval the Company will embark on delivering free quality health insurance coverage to orphans residing in orphanages across Saudi Arabia. The selected orphanages are geographically located in all regions of the Kingdom and registered under the Ministry of Social Services. In this campaign the Company will utilize the expertise of Bupa and use it as a leverage in delivering health coverage by not only providing medical insurance but by also making it the Company's social responsibility to educate, provide awareness sessions and to deliver homecare services as well as check-up visits to the selected orphanages and their resident orphans.

6. Bupa Arabia future prospects, risks and developments:

• 6.1 Competition and market dynamics:

The economic backdrop for the health insurance market place continues to be encouraging. The economy is sound and well funded, particularly if oil remains near \$80 a barrel. The country still has a growing population that has a high risk of poor health outcomes, which will only compound as the population ages. The government and the private sector will have a major responsibility to shoulder this growing burden.

The competitive landscape continues to be challenging. With the majority of corporate businesses now having health insurance, the regulatory driven pursuit for market share through new business is over and the focus will grow on retention through high quality service and competitive pricing. We believe though that there is still scope for good growth, but this will be more evident in the SME and family sectors.

• 6.2 Provider capacity:

The shortage of quality providers continues to be a concern, as well as the risk of "over-treatment" of our members in a "fee for service" environment. The recent, dramatic, expansion of the insured market place has left the incumbent care providers at full capacity and this means that there is little remaining capacity and also little incentive for providers to ensure that a high quality, cost effective, delivery mechanism exists. Without further capacity and/or new regulations it is our customers who will continue to face high medical inflation, poor health outcomes and who will also be disadvantaged as a result.

• 6.3 Financial strength:

The Company strengthened its profitability and balance sheet significantly in 2010. The Company's objective is to provide the most cost effective and appropriate care treatment for its members whilst ensuring it makes an appropriate return, and remains sufficiently liquid and solvent, to always meet its members claim payments.

As is detailed within section 9, revenue increased by 33% and net shareholders income rose 23% in the twelve month period. The Company also increased its cash, cash equivalent and investment balances by SR164m in the twelve month period, an increase of 22%.

• 6.4 Healthcare specialist:

The Company believes that, as the only single line healthcare specialist insurer in the kingdom, there is much more value it can bring to its customers and members in the health and care arena. The Company will leverage the capabilities and skills of the wider Bupa Group to continue to add services, products that enable its members to feel understood, guided, re-assured and able to access the right treatment, at the right time, in the right setting, by the right specialist and at an appropriate fee for all their healthcare needs.

• 6.5 Risks:

The key risks that the Company's management have front of mind are:

- Ensuring the availability of suitably skilled personnel for growth and quality of service delivery.
- Following the Company's head office move, to ensure its BCP is up to date and that it secures access to a contingency site.
- Ensuring that the Company's data security standards are in line with best practice.
- Monitoring and managing the risk of cartel behaviour from hospital operators.
- Monitoring the currently high Regulatory levy fees/Zakat and Taxation burden (in total some 44% of operating profits).
- The management of Article 69 (bad debt provisioning) enforcement with respect to its impact on the Company's profitability and solvency.

7. Financial statements presentation:

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

For comparative purposes the results contained within this Board report use the twelve month period ended 25/01/1432 H, 31/12/2010 G as a comparative versus the results for the twelve month period ended 14/01/1431 H, 31/12/2009 G. However as the 2009 results represented the first statutory financial statements for the Company the annual financial statement comparatives, and its accompanying notes, reflect the twenty month period from 24/04/1429 H, 01/05/2008 G to 14/01/1431 H, 31/12/2009 G.

8. Unqualified opinion of the independent external auditors:

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

9. Bupa Arabia financial highlights:

• 9.1 Summary key performance indicators:

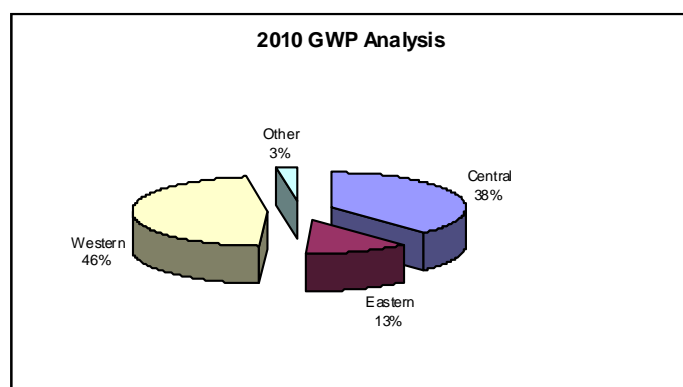
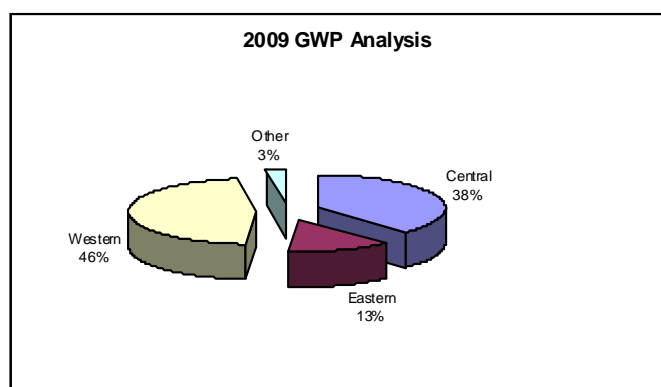
Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Gross written premiums	1,347,337	1,749,390	402,053	30%
Net earned premiums	1,205,351	1,608,908	403,557	33%
Net underwriting result	231,929	300,805	68,876	30%
Total operating expense ratio	14.6%	14.3%	-0.3%	-2%
Surplus of insurance operations	59,522	81,118	21,596	36%
Policyholders' share of insurance operations' surplus	5,952	8,112	2,160	36%
Net shareholders' income	57,732	70,798	13,066	23%
Weighted average no of ordinary shares (thousands)	40,000	39,942	(58)	0%
Basic earnings per share (Saudi Riyals)	1.44	1.77	0.33	23%

In 2010 the Company sustained its momentum with the average number of lives increasing by 20% over 2009. In conjunction with price increases and a beneficial impact of mix, the revenue earned improved by 33%. In ensuring that it maintains value for money, the Company broadly matched the increase in revenue with the increase in claims (up 34%) which gave an increase in the underwriting result of 30%. The overheads of the business increased with the volume of customers and the extra investment due to the move to its new building. With a stable return on investments, the net shareholders income improved by 23% in 2010.

• 9.2 Gross written premiums and geographical analysis:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Central	511,957	663,395	151,438	30%
Eastern	179,667	227,523	47,856	27%
Western	620,336	813,769	193,433	31%
Other	35,377	44,703	9,326	26%
Total gross written premiums	1,347,337	1,749,390	402,053	30%

The written premium increased by 30% to SR1,749m as a result of continued strong sales performance in both new and renewal business. The Company writes only health insurance business in Saudi Arabia and its revenue is currently concentrated predominantly in the main Central, Western and Eastern regions of the country. As illustrated by the results the 2010 geographical gross written premium mix is almost identical to that of 2009:



• 9.3 Net claims incurred:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Net claims incurred	973,422	1,308,103	334,681	34%

The increase in net claims incurred was due to business growth during the year in conjunction with rises in medical inflation.

• 9.4 Total operating expenses:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Insurance operations' operating expenses	175,073	223,888	48,815	28%
Shareholder operations' operating expenses (G&A)	1,462	6,275	4,813	329%
Total operating expenses	176,535	230,163	53,628	30%
Total operating expense ratio to earned	14.6%	14.3%	-0.3%	-2%

The total operating expense ratio, to earned, at 14.3% was a slight improvement versus the previous twelve month period at 14.6%. The increase in the Shareholder operations' operating expenses was mainly due to one-off costs associated with the Company's strategy review processes. The increase in the Insurance operations' expenses is described in section 9.5.

• 9.5 Total insurance operations' operating expenses:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
CCHI and SAMA levies	23,600	25,991	2,391	10%
Bad debt provision (release)/expense	(1,001)	10,365	11,366	1135%
Other sales and marketing expenses	75,999	87,333	11,334	15%
Total S&M expenses-Insurance operations	98,598	123,689	25,091	25%
Total G&A expenses-Insurance operations	76,475	100,199	23,724	31%
Total Insurance operations operating expenses	175,073	223,888	48,815	28%

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

The more significant increase in the Insurance operations' sales and marketing expenses were the levies and the bad debt provision as detailed below:

The CCHI and SAMA levies expense for the twelve month period ended 31/12/2009 included a levy of SR3,413k relating to 2008 written premiums (as per SAMA regulations). The underlying increase in levies for the twelve month periods from 2009 to 2010 is therefore SR5,804k.

The bad debt provision release for the twelve month period ended 31/12/2009 was due mainly to the release of the bad debt provision against premiums written not yet invoiced (PWNI) as was not required. The increase in the bad debt provision for the twelve month period ended 31/12/2010 was mainly due to an increase in provisioning above the minimum SAMA aged bad debt provision requirements (as per the SAMA regulations).

The increase in the other Sales and marketing expenses was due mainly to an increase in commissions and staff costs.

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

The more significant increase in the Insurance operation's general and administration expenses during the year related to staff costs, incurred due to enhancing the organisational capability in support of the Company's customers, and other costs in the form of some one-off costs associated with the Company's Jeddah head office relocation.

• 9.6 Surplus from insurance operations:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Surplus from insurance operations	59,522	81,118	21,596	36%

The increase in the surplus from insurance operations was mainly due to an increase in the underwriting result of SR68,876k versus the previous twelve month period but offset by an increase in operating expenses (as described per 9.4 and 9.5).

• 9.7 Investment income:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Insurance operations' investment income	2,660	3,820	1,160	44%
Shareholder operations' investment income	5,624	4,067	(1,557)	-28%
Total investment income	8,284	7,887	(397)	-5%

Investment income during the twelve month period reduced versus the previous twelve month period due to falling interest rates, due to excess liquidity, in the market place. Investment income was also impacted during 2010 by the initial processes related to the appointment of an external, third party, investment fund portfolio manager.

• 9.8 Net shareholders' income:

Description	2009 SR000s (12 months)	2010 SR000s (12 Months)	2010 Change SR000s	2010 Change %
Net shareholders' income	57,732	70,798	13,066	23%

The increase in the net shareholders' income for the twelve month period was driven mainly by the increase in the underwriting result of SR68,876k.

• 9.9 Summary statement of financial position:

Description	2009 SR000s at 31/12/09	2010 SR000s at 31/12/10	2010 Change SR000s	2010 Change %
Insurance operations' assets	895,147	1,130,277	235,130	26%
Shareholder operations' assets	508,007	538,557	30,550	6%
Total assets	1,403,154	1,668,834	265,680	19%
Insurance operations' liabilities and surplus	895,147	1,130,277	235,130	26%
Shareholders' liability	70,654	45,568	(25,086)	-36%
Shareholders' equity	437,353	492,989	55,636	13%
Total liabilities, surplus and shareholders' equity	1,403,154	1,668,834	265,680	19%

The increase in liabilities during the twelve month period was due mainly to an increase in the technical reserves and this was driven by the growth in written premiums during the twelve month period. The technical reserves increased by SR214,422k during 2010.

The reduction in the shareholders' liability was driven mainly by the settlement during the twelve month period of SR28,010k of the Goodwill amount payable. The Company received SAMA approval for the settlement of this amount through its letter numbered 20184/MT/816 dated 16/04/1431 H, 31/03/2010 G.

During 2010 the Company generated SR217,591k of net cash from its operating activities (SR156,711k and SR60,880k from insurance operations and shareholder operations respectively).

• 9.10 Total assets:

Description	2009 SR000s at 31/12/09	2010 SR000s at 31/12/10	2010 Change SR000s	2010 Change %
Total assets	1,403,154	1,668,834	265,680	19%

The increase in total assets during the twelve month period was due mainly to the net increase of cash and cash equivalents/investments (a combined net increase of SR164,228k) and an increase in net premiums receivable of SR82,442k.

• 9.11 Cash and cash equivalents:

Description	2009 SR000s at 31/12/09	2010 SR000s at 31/12/10	2010 Change SR000s	2010 Change %
Insurance operations' cash and cash equivalents	444,162	346,908	(97,254)	-22%
Shareholder operations' cash and cash equivalents	308,789	13,631	(295,158)	-96%
Total cash and cash equivalents	752,951	360,539	(392,412)	-52%

The decrease in cash and cash equivalents was due to the purchase of investments during the twelve month period. Investments of SR253,965k and SR296,065k were purchased by insurance operations and shareholder operations respectively.

• 9.12 Investments:

Description	2009 SR000s at 31/12/09	2010 SR000s at 31/12/10	2010 Change SR000s	2010 Change %
Insurance operations' investments	-	257,178	257,178	N/A
Shareholder operations' investments	-	299,462	299,462	N/A
Total investments	-	556,640	556,640	N/A

During the twelve month period the Company appointed an external third party as investment fund portfolio manager and transferred SR550 million for investment on behalf of the Company. This followed a thorough selection process and approval by the Board and the Investment Committee.

• 9.13 Total premiums receivable, net:

Description	2009 SR000s at 31/12/09	2010 SR000s at 31/12/10	2010 Change SR000s	2010 Change %
Total premiums receivable, net	407,398	489,840	82,442	20%

The growth in total net premiums receivable is due to the growth in written premiums during the twelve month period. The percentage change in net premiums receivable (at 20%) is below the growth in written premiums (at 30%), due to the continued strong collection and credit control activities of the Company.

• 9.14 Technical reserves:

Description	2009 SR000s at 31/12/09	2010 SR000s at 31/12/10	2010 Change SR000s	2010 Change %
Unearned premium reserves	522,517	659,819	137,302	26%
Claims reserves	275,259	352,379	77,120	28%
Technical reserves	797,776	1,012,198	214,422	27%

The growth in the technical reserves is due to the growth in written premium (at 30%), during the twelve month period. The unearned premium reserves at 31/12/2010 represent 37.7% of the annual gross written premium (versus 31/12/2009 at 38.8%) and the claims reserves represent 26.9% of the annual net claims incurred (versus 2009 at 28.3%).

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

Article 44 of the Company's code of business conduct states the following with respect to the calculation and distribution of profits:

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

11. Key sales, operations and other functional activities:

• 11.1 Sales and marketing:

To make its products and services more accessible to its customers, Bupa Arabia continued to improve and enhance its sales activities and distribution channels through the continued building of qualified and well-trained sales teams and Bupa Arabia also opened three new sales outlets during 2010. It also installed, and trained staff to use, its customer relationship management software.

Bupa Arabia has carried out marketing and advertising campaigns throughout the year with the objective of promoting its pioneering health insurance products and services. This assisted with the notable growth in the average number of customers, increased by 20%, exceeding a million members and with a renewal ratio exceeding 80%. The Company also conducted a wellness campaign for its clients which helped many members to deal with common health issues and maintain a healthy lifestyle. This was done through conducting several seminars on important health topics (such as swine-flu, anti/quit smoking, diabetes prevention and control of complications, respiratory allergies, first aid and CPR seminars/training).

• 11.2 Operations management and customer service:

Bupa Arabia continues to provide its customers with cutting-edge services including a medical helpline, instant treatment approvals, SMS messaging, an internet service portal and quick uploads to the CCHI system.

Bupa Arabia has also continued to invest in its processes, systems & people capabilities to optimise its medical quality decision making process, high performance culture and service mindset, relationship with its providers and efficient customer service delivery with a new call centre structure.

Bupa Arabia will continue to support all initiatives with a new medical department, a new customer service strategy and a total quality management approach to safeguard a high standard of quality healthcare and provide an environment in which service excellence flourishes.

• 11.3 Human resources:

During 2010, the Human Resources department focussed on meeting the resource demands of a growing business (headcount increased over the year by nearly 30%) as well as raising selection standards and training quality. The Company also increased the Saudisation rate by 7%, to reach 49% by the end of 2010. Training has been a main focus; the Company conducted thirteen different training programmes (including certified training such as SHL and IFCE), as well as the standardization of procedures and the updating of job descriptions in accordance with Saudi Labour Office requirements.

In April, the Company moved to new Jeddah head office premises and a health & safety consultant conducted a thorough review of the facility, bench-marking the building against international best practices. The Company's new premises met the vast majority of requirements, with some more improvements scheduled for 2011.

The Human Resource department held regular CET (Chief Executive Team) breakfast meetings with staff, to ensure a positive and productive two way exchange of views was present, and will go through a complete analysis of feedback for the Company to take action on.

• 11.4 Projects and information technology (IT):

The Company continued to invest in its IT systems and capabilities to ensure it has the most robust systems to deal with future growth and in parallel, invested in technology as a driver for future customer service enhancements. In 2010, the Company completed its Business Continuity Plans and will implement these in 2011. In addition, it enhanced its online services, implemented a project management system and unified its communication system. The Company will continue to employ the latest customer service technologies to maintain its pioneering position in a highly competitive market. This is augmented by a new Project Management Office (PMO) team that supports Operations to deliver projects on time and within budget.

12 – 18 Additional disclosures (in accordance with laws and regulations):

12. Board and annual general assembly meeting related:

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

The Board of directors consists of the following members and their membership in the Boards of other joint stock companies is as detailed within the table:

Membership	Director name	Membership of other joint stock company Boards
Non-Executive	Eng. Loay Hisham Nazer	Not applicable
	Mr. William Stephen Ward	Not applicable
	Mr. Dean Allan Holden	Not applicable
	Mr. Ignacio Ereno Iribarren	Not applicable
Independent	Mr. Aamer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
	Eng. Zuhair Hamid Fayeze	Not applicable
	Mr. Saleh Nasser Al-Jasser	Etihad Etisalat Company, Saudi Research and Marketing Group
Executive	Mr. Tal Hisham Nazer	Not applicable

• 12.2 Board of director changes during the year:

The following changes in the Board of directors took place during the year:

Outgoing and date	Incoming and date	Representing
Mr. Pablo Juantegui 23/11/2009	Mr. Dean Allan Holden 02/05/2010	Bupa Investments Overseas Limited
Mr. Anthony Frank Cabrelli 04/09/2010	Mr. Ignacio Ereno Iribarren 12/10/2010	Bupa Investments Overseas Limited
Dr. Mohammed Akef Al Maghrabi 03/10/2010	Mr. Saleh Nasser Al-Jasser 12/10/2010	Independent

• 12.3 Benefits and emoluments of board members and senior executives:

The table below details salaries, emoluments, allowances and bonuses received by board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2010 to 31/12/2010:

Description	Executive Member	Non-Executive Members / Independents	Five senior Executives including CEO and CFO
Salaries and emoluments	137	756	5714
Board Allowances	12	63	0
Bonuses	0	0	1947
LTIP and EOS	0	0	2210
Total SR000s	149	819	9871

The amounts reflected for the Executive Member, who is also the CEO, are the attendance fees and allowances for the Board and Committee meetings attended. The CEO bonus, LTIP and EOS amounts are contained within the five senior executives section of the table. There were no bonuses, LTIP or EOS benefits paid or provided for in relation to any other Board members.

• 12.4 Description of the equities of the board members:

The Bupa Arabia equities held by the Board members of Bupa Arabia are detailed below:

Director name	Position	Opening shares (31/12/09)	Opening shares ratio	Change in shares	Change in shares ratio	Closing shares (31/12/10)
Eng. Loay Hisham Nazer	Chairman	272,800	0.68200%	(271,800)	-0.67950%	1,000
Mr. Tal Hisham Nazer	Member	1,000	0.00250%		0.00000%	1,000
Mr. William Stephen Ward	Member					Refer below
Mr. Aamer Abdullah Ali Reza	Member	6,000	0.01500%		0.00000%	6,000
Eng. Zuhair Hamid Fayez	Member	1,000	0.00250%		0.00000%	1,000
Mr. Dean Allan Holden	Member					Refer below
Mr. Saleh Nasser Al-Jasser	Member		0.00000%	106,000	0.26500%	106,000
Mr Ignacio Ereno Iribarren	Member					Refer below

Bupa Investments Overseas Limited has registered 1,000 shares with the CMA for each Board member as guarantee shares for its representatives on the Bupa Arabia Board (as required by the CMA regulations).

• 12.5 Description of the equities of the senior executives:

The Bupa Arabia equities held by the senior executives of Bupa Arabia are detailed below:

Executive name	Position	Opening shares (31/12/09)	Opening shares ratio	Change in shares	Change in shares ratio	Closing shares (31/12/10)
Mr. Hisham Fayez Ali Radwan	Chief Commercial Officer	23,000	0.05750%	500	0.00125%	23,500

• 12.6 Board meetings and attendances:

Director name and period	Position	Membership	Board 1 23/3/10	Board 2 14/6/10	Board 3 05/10/10	Board 4 14/12/10
Eng. Loay Hisham Nazer (full year)	Chairman	Non-Executive	y	y	y	y
Mr. Tal Hisham Nazer (full year)	CEO/ Member	Executive	y	y	y	y
Mr. William Stephen Ward (full year)	Member	Non-Executive	Y	Y	N	Y
Mr. Aamer Abdullah Ali Reza (full year)	Member	Independent	y	y	y	y
Eng. Zuhair Hamid Fayez (full year)	Member	Independent	N	N	N	N
Mr. Anthony Frank Cabrelli (1/01/10 to 4/09/10)	Resigned	N/A	N	N	N/A	N/A
Dr. Mohammed Akef Al Maghrabi (1/01/10 to 3/10/10)	Resigned	N/A	N	N	N/A	N/A
Mr. Dean Allan Holden (2/05/10 to 31/12/10)	Member	Non-Executive	N/A	Y	Y	Y
Mr. Ignacio Ereno Iribarren (12/10/10 to 31/12/10)	Member	Non-Executive	N/A	N/A	N/A	Y
Mr. Saleh Nasser Al-Jassar (12/10/10 to 31/12/10)	Member	Independent	N/A	N/A	N/A	Y

• 12.7 Major board resolutions during the year:

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

- Approval of the Company's strategy first phase.
- Approval of the appointment of the third party investment fund manager, as per the recommendation of the Investment committee.
- Approval of the opening of four sales outlets in the Kingdom of Saudi Arabia.
- Approval of the following corporate governance and compliance related:
 - Corporate Governance framework and Board committees' terms of reference.
 - Disclosure and transparency policy
 - Anti-Fraud/Fraud Awareness policy
 - Anti money laundering and combating the financing of terrorism policy

• 12.8 General assembly meetings during the year:

The third ordinary general assembly meeting of Bupa Arabia convened on 08/04/1431 H, 24/03/2010 G during which the following outcomes were concluded:

- The approval of the Board of Directors report for the twenty months ended 14/01/1431 H, 31/12/2009 G,
- The ratification of the Financial Statements, and external auditors report, for the twenty months ended 14/01/1431 H, 31/12/2009 G,
- The absolving of the Board of Directors of their legal and financial responsibility for managing the company during the twenty months ended 14/01/1431 H, 31/12/2009 G,
- The approval of the appointment of the external auditors for the company's financial statements for the twelve month period ended 25/01/1432 H ,31/12/2010, in line with the recommendation of the Audit Committee,
- The approval of the changes in the Board of Directors.

• 12.9 Insurance contracts with companies related to Board members:

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

• 12.10 Other contracts with companies related to Board members:

In the fiscal year 2009, Bupa Arabia appointed Zuhair Fayeze Partnerships (ZFP) in which Mr. Fayeze (a director) is a major shareholder, to carry out the construction and interior design works for the new Jeddah head office premises. This contract was concluded during 2010 with the Company moving to its new premises during the second quarter of 2010. Although Mr. Zuhair Fayeze is a board member of Bupa Arabia, the Company conducted a full and independent contractor search and ultimately chose ZFP based on extensive criteria such as quality, pricing and reputation. The Chairman of the Board made note of this contract to the shareholders during the Ordinary General Assembly meeting of 08/04/1431H, 24/3/2010 G This contract required none of the Board members to agree to waive any compensation of any type.

13. Other disclosure in accordance with laws and regulations:

• 13.1 Provision of corporate governance:

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

- Clause B of Article 6: The "cumulative vote" system is the CMA method to nominate board members in the general assembly. However, the company follows the regulations of Article 93 of the Ministry of Commerce, and Article 34 of the Bupa Arabia company by-laws. Article 34 of the Company's by-laws states: "the company counts the votes in the established assembly of the General Ordinary Assembly and the Extraordinary Assembly based on a vote for each share."

• 13.2 Board committees:

The company's corporate governance code was agreed and approved by the Board in October 2010.

• 13.3 Audit committee:

Throughout 2010, the Audit committee consisted of Mr. Saleh Al-Jasser (Chairman), Mr. Robert Jones and Mr. Duncan Walsh (independent members). Mr Walsh resigned his position in late 2010 and his replacement is Mr James Wheaton. The Audit committee's purpose is to ensure the integrity of the Company's financial statements, to review and, where appropriate, make recommendations to the Board on internal financial controls, internal audit and to review the external audit process and external auditors performance. The committee will also have oversight, through the company's Risk and Compliance committee, for ensuring that the company's risk management processes, and regulations, are adequate and effective, particularly with regard to the impact on the company's financial reporting and its code of business conduct. In performing its duties the committee will maintain effective working relationships with the Board of Directors, management, the Risk and Compliance Committee and the external and internal auditors. The committee held three meetings during 2010.

- Risk and Compliance Committee (R&CC) – The Risk and Compliance Committee is a sub-committee of the Audit Committee and its members are the senior executive team of the business. The Chief Financial Officer is the Chairman of the R&CC. The purpose of the committee is to ensure that Bupa Arabia adopts a robust, consistent, proportionate and cost effective approach towards to identification, analysis and control of the key risks that could threaten the Company. This committee supports the Audit committee by giving a dedicated focus to embedding effective policies and procedures into the organisation regarding Internal Audit, Risk Management and Regulatory Compliance. Additionally the committee has oversight of Business Continuity Planning, Health and Safety and Financial Crime. The Compliance Officer and the Internal Audit Manager both formally report to the Chairman of the Audit committee to ensure appropriate independence. The Risk and Compliance Committee met twice in late 2010 after the approval of its terms of reference during October 2010.
- Key Risks – the management of the Company has introduced a quarterly assessment process for reviewing risks, their materiality, the appropriateness of existing mitigating controls and for setting actions plans where inadequate. The key risks that management are currently reviewing and managing closely are itemised in section 6.5.

• 13.4 Executive committee:

The Executive committee consists of Eng. Loay Nazer (Chairman), Mr. Tal Nazer, Mr. Dean Holden and Mr. William Ward (members) with invited participants from the management team. The committee sets the annual income target of Bupa Arabia which is thereafter ratified by the Board. The committee also monitors all aspects of the operational performance of the company on a monthly basis to ensure that there are no barriers to achieving the objectives set. It also reviews and approves, as needed, any requests from non-authenticated parties and ensures the company is fully compliant with all regulatory requirements. The committee held ten meetings during 2010.

• 13.5 Nomination and remuneration committee:

The Nomination and remuneration committee consists of Eng. Loay Nazer (Chairman), Mr. William Ward, Mr. John Handley and Mr. Aamer Ali Reza (independent member). This committee agrees on the remuneration packages (including bonuses and long term incentives) for the CEO and senior executives. The committee reviews the sales commission schemes and targets and defines corporate and individual goals. Additionally, the committee supervises the recruitment of key managerial positions and approves the human resources policies and procedures. The committee held five meetings during 2010.

• 13.6 Investment committee:

The Investment committee consists of Mr. Hossam Radwan (Chairman), Mr. Hassan Al Jabri and Mr. Simon Warren (all independent members). The committee's remit is the management of the company's investment portfolio to achieve the best return for the business within a given risk parameter. The Committee acts as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with SAMA's regulations and are fully Shariah compliant. The Investment committee appointed NCB Capital as the investment manager based on its experience and following a thorough review process and based on a minimum grade A external rating. Among other duties, the committee provides investment advice to the Board of Directors in regard to liquidity and risk of interest rate. The committee held two meetings during 2010.

14. Maintenance of proper records, internal controls and continuation as a going concern:

As required by Saudi Arabian insurance regulations the Company maintains separate accounts for Insurance Operations and Shareholder Operations and can confirm it has maintained proper accounting records, that the system of internal control is robust in design and has been effectively implemented, and that there are no doubts about the Company's ability to continue its operations.

15. Payments and payable to regulatory bodies:

During 2010 the Company made payments, and has amounts payable, to the various Saudi Arabian regulatory bodies as detailed below:

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

The total payment made by the Company to the DZIT during the twelve month period was SR15,211k. This payment includes an amount of SR11,283k for the 2009 DZIT return (SR6,506k in respect of Zakat and SR4,777k for Income Tax) and a 2010 advance Income Tax payment of SR3,583k (made in accordance with the DZIT regulations). An amount of SR7,906k is provided in the results for the 2010 DZIT return (SR7,317k for Zakat and SR589k for Income Tax) and this will be paid to the DZIT before 26/05/1432 H, 30/04/2011 G (as per the DZIT regulations). Included in the total payment amount is an amount of SR345k paid to the DZIT for with-holding tax. An amount of SR84k is provided in the results for 2010 related with-holding tax payable to the DZIT in 2011.

• 15.2 The Saudi Arabian Monetary Agency (SAMA):

The total payment made by the Company to SAMA during the twelve month period was SR14,114k. This payment included payments for levies of SR13,034k (SR7,203k relating to levies for the 2010 year and SR5,831k to prior years' levies). The company paid SR1,080k to SAMA as a penalty for prior years' payments on an earned basis and included an element related to the delay in settlement arising from the same. All prior year payments were fully provided in the 2009 results. The results include a provision for the 2010 fourth quarter SAMA levy of SR1,544k (which was paid to SAMA in January 2011 in accordance with the SAMA regulations).

• 15.3 The Council for Cooperative Health Insurance (CCHI):

The total payment made by the Company to the CCHI during the twelve month period was SR12,025k. This included payment of SR11,975k for the CCHI levies for the 2009 year and SR50k for CCHI license fees (for the period 19/05/1431 to 18/05/1432 H, 04/05/2010 to 22/04/2011 G). The results include a provision for the 2010 CCHI levies of SR17,494k and this will be settled in the first quarter of 2011 in accordance with the CCHI regulations.

• 15.4 The General Organisation for Social Insurance (GOSI):

The total payment made by the Company to the GOSI during the twelve month period was SR4,136k and comprised the amounts required to be paid per the GOSI regulations for Saudi and expatriate labour utilised during the year. An amount of SR357k is provided in the results for the 2010 related GOSI amounts payable in 2011 (in accordance with the regulations of the GOSI).

• 15.5 Tadawul:

The total payment made by the Company to Tadawul during the twelve month period, for service fees in support of its public reporting regulatory requirements and activities, was SR300k and no further amount was payable to Tadawul for the period ended 25/01/1432 H, 31/12/2010 G.

16. External auditors:

The joint external auditors of the Company, as approved per the Ordinary General Assembly meeting held on 08/04/1431 H, 24/03/2010 G, for the financial statements for the fiscal year ended 25/01/1432 H, 31/12/10 G were Ernst & Young and KPMG Al Fozan & Al Sadhan. This represented a change to the previous year's external auditors (Ernst & Young and Sindi & Batterjee) as the Company sought to enhance its audit review processes.

17. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 27, paragraphs 7 and 8, the Company confirms it has no subsidiaries.

18. No borrowings or loans:

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

Conclusion:

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