

**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 2011**



ERNST & YOUNG

P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia



KPMG

Al Fozan & Al Sadhan
P. O. Box 55078
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Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992

REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company – A Saudi Joint Stock Company (“the Company”) as at 30 June 2011, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations and 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’ cash flows for the six-month period then ended. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standards (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

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

Ernst & Young



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Certified Public Accountant
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for KPMG Al Fozan & Al Sadhan



Ebrahim Oboud Baeshen
Certified Public Accountant
Registration No. 382

Jeddah, Kingdom of Saudi Arabia
16 Sha’ban 1432 H
17 July 2011

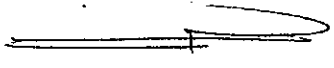


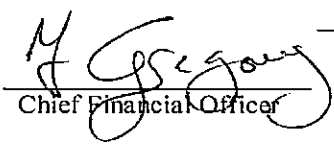
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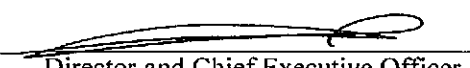
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2011

	<i>Note</i>	<i>30 June 2011 SR'000</i>	<i>31 December 2010 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and balances with banks	4	416,374	346,908
Investments	5	263,213	257,178
Prepaid expenses and other assets		17,745	20,881
Premiums receivables, net	6	60,848	55,972
Premiums written not invoiced, net	6	657,595	433,868
Amount due from shareholders' operations		28,993	-
Deferred policy acquisition costs		18,065	15,470
Total insurance operations' assets		1,462,833	1,130,277
SHAREHOLDERS' ASSETS			
Cash and balances with banks	4	13,631	13,631
Investments	5	299,502	299,462
Other receivables		244	-
Amount due from insurance operations		-	48,761
Goodwill	1&3(b)	98,000	98,000
Furniture, fittings and equipment		43,117	38,703
Statutory deposit		40,000	40,000
Total shareholders' assets		494,494	538,557
TOTAL ASSETS		1,957,327	1,668,834


Chairman


Chief Financial Officer


Director and Chief Executive Officer

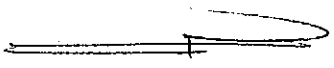
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BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

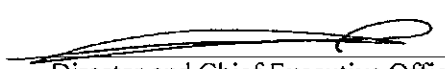
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

At 30 June 2011

	<i>Note</i>	<i>30 June 2011 SR'000</i>	<i>31 December 2010 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities:			
Unearned premiums		1,005,715	659,819
Outstanding claims	7	390,797	352,379
Reinsurance balance payable		297	1,269
		<u>1,396,809</u>	<u>1,013,467</u>
Accrued expenses and other liabilities		48,474	50,508
Obligation under Long-Term Incentive Plan (LTIP)		3,486	3,477
		<u>1,448,769</u>	<u>1,067,452</u>
Amount due to shareholders' operations		-	48,761
Policyholders' share of surplus from insurance operations		14,064	14,064
		<u>1,462,833</u>	<u>1,130,277</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		18,025	13,855
Accrued zakat and income tax	9	10,556	7,905
Amount due to a related party in respect of goodwill	1&3(b)	-	20,990
Amount due to related parties		2,251	2,818
Amount due to insurance operations		28,993	-
		<u>59,825</u>	<u>45,568</u>
Shareholders' equity			
Share capital		400,000	400,000
Shares held under Employees' Share Scheme		(2,910)	(2,709)
Statutory reserve		23,694	23,694
Retained earnings		13,885	72,004
		<u>434,669</u>	<u>492,989</u>
Total shareholders' equity		<u>434,669</u>	<u>492,989</u>
Total shareholders' liabilities and equity		<u>494,494</u>	<u>538,557</u>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>1,957,327</u>	<u>1,668,834</u>


Chairman


Chief Financial Officer


Director and Chief Executive Officer

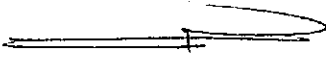
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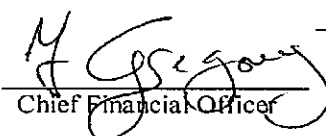
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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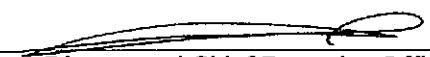
**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(UNAUDITED)**

For the three-month and six-month periods ended 30 June 2011

	<i>Note</i>	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		<i>2011 SR'000</i>	<i>2010 SR'000</i>	<i>2011 SR'000</i>	<i>2010 SR'000</i>
REVENUE					
Gross written premiums		531,393	415,384	1,272,473	1,052,358
Premiums ceded		(674)	(1,013)	(1,297)	(1,513)
Net written premiums		530,719	414,371	1,271,176	1,050,845
Net movement in net unearned premium		(50,065)	(26,713)	(345,896)	(294,872)
Net earned premiums		480,654	387,658	925,280	755,973
CLAIMS					
Claims incurred	7	395,495	330,779	770,523	658,320
NET UNDERWRITING RESULT		85,159	56,879	154,757	97,653
INVESTMENT AND COMMISSION INCOME		730	171	1,485	416
OTHER INCOME		109	184	406	256
EXPENSES					
Selling and marketing		(69,504)	(40,054)	(136,450)	(63,175)
General and administration		(35,930)	(17,621)	(71,615)	(47,944)
DEFICIT FROM INSURANCE OPERATIONS		(19,436)	(441)	(51,417)	(12,794)
Shareholders' share of deficit from insurance operations		19,436	441	51,417	12,794
Policyholders' share of deficit from insurance operations		-	-	-	-


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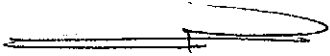
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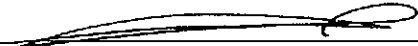
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2011

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2011 SR'000</i>	<i>2010 SR'000</i>	<i>2011 SR'000</i>	<i>2010 SR'000</i>
REVENUE				
Shareholders' share of deficit from insurance operations	(19,436)	(441)	(51,417)	(12,794)
EXPENSES				
General and administration	(464)	(1,401)	(1,227)	(2,528)
	<u>(19,900)</u>	<u>(1,842)</u>	<u>(52,644)</u>	<u>(15,322)</u>
Investment income	93	179	187	753
NET LOSS FOR THE PERIOD	<u><u>(19,807)</u></u>	<u><u>(1,663)</u></u>	<u><u>(52,457)</u></u>	<u><u>(14,569)</u></u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>39,882</u>	<u>40,000</u>	<u>39,877</u>	<u>40,000</u>
Basic and diluted loss per share (in Saudi Arabian Riyals)	<u><u>(0.50)</u></u>	<u><u>(0.04)</u></u>	<u><u>(1.32)</u></u>	<u><u>(0.36)</u></u>


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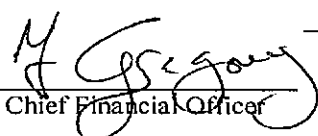
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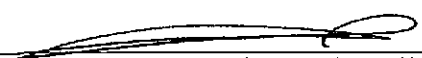
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2011

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2011 SR'000</i>	<i>2010 SR'000</i>	<i>2011 SR'000</i>	<i>2010 SR'000</i>
NET LOSS FOR THE PERIOD	(19,807)	(1,663)	(52,457)	(14,569)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(19,807)</u>	<u>(1,663)</u>	<u>(52,457)</u>	<u>(14,569)</u>


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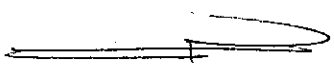
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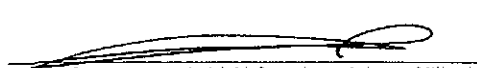
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(UNAUDITED)**

For the six-month period ended 30 June 2011

	Note	Six-month period ended 30 June	
		2011 SR'000	2010 SR'000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the six-month period		-	-
Adjustment for:			
Depreciation		5,183	6,397
Net movement in unearned premiums		345,896	294,872
Premiums written not invoiced, net		(223,727)	(243,751)
Deferred policy acquisition costs		(2,595)	(165)
Unrealised gain on trading investments	5	(35)	(96)
		<u>124,722</u>	<u>57,257</u>
Changes in assets and liabilities:			
Premiums receivables, net		(4,876)	7,236
Prepaid expenses and other assets		3,136	7,921
Outstanding claims		38,418	30,500
Due from/to shareholders' operations		(82,937)	(77,127)
Reinsurance balance payable		(972)	1,513
Accrued expenses and other liabilities		(2,034)	(9,431)
Obligation under Long-Term Incentive Plan (LTIP)		9	-
		<u>75,466</u>	<u>17,869</u>
INVESTING ACTIVITIES			
Purchase of investments	5	(6,000)	(253,965)
Murabaha deposits		(160,000)	-
		<u>(166,000)</u>	<u>(253,965)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(90,534)</u>	<u>(236,096)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		<u>346,908</u>	<u>444,162</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	4(d)	<u>256,374</u>	<u>208,066</u>


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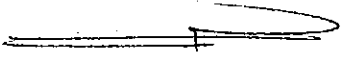
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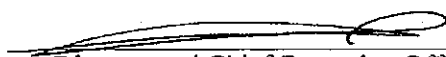
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2011

	Note	Six-month period ended 30 June	
		2011 SR'000	2010 SR'000
OPERATING ACTIVITIES			
Net comprehensive loss for the six-month period		(52,457)	(14,569)
Adjustment for:			
Unrealised gain on trading investments	5	(40)	(113)
		(52,497)	(14,682)
Changes in assets and liabilities:			
Accrued income		-	613
Accrued expenses and other liabilities		4,170	1,691
Amount due to related parties		(567)	-
Due to/from insurance operations		82,937	77,127
Other receivables		(244)	(11,283)
		33,799	53,466
Zakat and income tax paid		(3,011)	-
Net cash from operating activities		30,788	53,466
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(9,597)	(24,579)
Purchase of shares held under LTIP		(1,401)	-
Disposal of shares held under LTIP		1,200	-
Purchase of investments	5	-	(296,035)
Amount paid to related party in respect of goodwill	3(b)	(20,990)	(28,010)
Net cash used in investing activities		(30,788)	(348,624)
DECREASE IN CASH AND CASH EQUIVALENTS		-	(295,158)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		13,631	308,789
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	13,631	13,631


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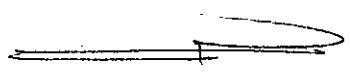
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

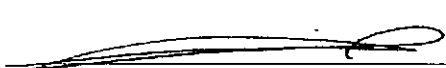
For the six-month period ended 30 June 2011

	Note	Share capital SR'000	Shares held under Long- Term Incentive Plan SR '000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 1 January 2011		400,000	(2,709)	23,694	72,004	492,989
Total comprehensive loss for the six-month period ended 30 June 2011		-	-	-	(52,457)	(52,457)
Zakat and tax for the six-month period	9	-	-	-	(5,662)	(5,662)
Partial disposal of shares held under LTIP		-	1,200	-	-	1,200
Purchase of additional shares held under LTIP		-	(1,401)	-	-	(1,401)
Balance at 30 June 2011		400,000	(2,910)	23,694	13,885	434,669

	Note	Share capital SR'000	Shares held under Long- Term Incentive Plan SR '000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 1 January 2010		400,000	-	9,534	27,819	437,353
Total comprehensive loss for the six-month period ended 30 June 2010		-	-	-	(14,569)	(14,569)
Zakat and tax for the six-month period	9	-	-	-	(4,369)	(4,369)
Balance at 30 June 2010		400,000	-	9,534	8,881	418,415


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2011

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 1429 H (corresponding to 1 May 2008). The Registered Office address of the Company is situated at Al-Rawdah Street, Al-Khaledeyah District, P.O. Box 23807, Jeddah 21436, Kingdom of Saudi Arabia.

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

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

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the "Seller") pursuant to which it acquired the Seller's insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009, at a goodwill amount of SR 98 million, as approved by the Saudi Arabian Monetary Agency (SAMA), along with related insurance assets and liabilities of an equivalent amount (see note 3). 50% of the amount in respect of the goodwill was paid to the seller during 2009. In accordance with the instructions of SAMA, the remaining 50% was to be paid subsequent to 2009, out of the Company's profits for those years, after obtaining SAMA's approval. The Company paid the balance amount in two instalments of SR 28.01 million and SR 20.99 million in 2010 and 2011 respectively, after obtaining approval from SAMA.

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

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

Transfer to Shareholders' operations	90%
Transfer to Policyholders' payable	10%
	<hr/>
	100%
	<hr/> <hr/>

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2a Basis of preparation

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

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 Interpretations (IFRIC) by the Company as mentioned in note 2(b), did not have any impact on these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

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

2a Basis of preparation (continued)

These interim condensed financial statements for the period ended 30 June 2011 (the “period”) should be read in conjunction with the Company’s audited financial statements for the year ended 31 December 2010.

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 interim condensed financial statements do not contain all information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards.

The interim condensed financial statements are presented 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.

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

2b New IFRS, IFRIC and amendments thereof, adopted by the Company

International Accounting Standards Board (IASB) has issued the following new and amended IFRS and IFRIC that are effective for the periods starting on or after the dates mentioned below:

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IAS 24	Related party Transactions (Revised)	1 January 2011
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IAS 32	Amendments to IAS 32 Classification of Rights Issues	1 February 2010
IFRIC 14	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instrument	1 July 2010

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

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

2c Standards issued but not yet effective

IASB has issued the following the new and amended IFRS and IFRIC that are not yet effective:

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosures	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013

Adoption of the relevant standards and interpretations applicable to the Company would result in some additional disclosures and changes in certain classifications in the financial statements. However, the Company does not expect any significant impact on its financial position or performance from such adoption.

2d Change in accounting estimate

During the period, the Company changed its method of provision for doubtful debts prospectively from 1 January 2011 (see note 6).

3 TRANSFER OF PORTFOLIO

- a) As stated in note 1, the value of assets and liabilities acquired from the Seller, as at 1 January 2009, as per the valuation approved by SAMA, were as follows:

	<i>SR'000</i>
ASSETS	
Furniture, fittings and equipment	17,912
Deferred policy acquisition costs	13,702
Premiums written not invoiced, net	247,163
Premiums receivables, net	64,400
Amounts due from a related party	1,474
Other assets	5,661
Cash and cash equivalents	251,400
Total assets transferred	601,712
LIABILITIES	
Unearned premiums	380,620
Outstanding claims	190,894
Other liabilities and provision	30,198
Total liabilities transferred	601,712
NET ASSETS TRANSFERRED	-

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

3 TRANSFER OF PORTFOLIO (continued)

b) Amount payable to the Seller (related party) in respect of goodwill:

	<i>Six-month period ended 30 June 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
Balance at the beginning of the period/year	20,990	49,000
Paid during the period/year	(20,990)	(28,010)
Balance at the end of the period/year	<u>-</u>	<u>20,990</u>

4 CASH AND BALANCES WITH BANKS

a) Cash and balances with banks comprised the following:

	<i>30 June 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in bank	16,309	121,763
Murabaha deposits	400,065	225,145
	<u>416,374</u>	<u>346,908</u>
<i>Shareholders' Operations</i>		
Cash in bank	13,631	13,631

b) At 30 June 2011, there were no bank balances held in the name of any related parties on behalf of the Company (31 December 2010: SR 8.6 million were held by the Company in the name of a related party).

c) The murabaha deposits are held with commercial banks. These murabaha deposits are denominated in Saudi Arabian Riyals and have an original maturity not exceeding three months.

d) For the purposes of the interim statement of insurance operations' cash flows, cash and cash equivalents comprise the following:

	<i>30 June 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
Cash in bank	16,309	121,763
Murabaha deposits maturing within 90 days	240,065	225,145
	<u>256,374</u>	<u>346,908</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

5 INVESTMENTS

The carrying amount of the investments, classified as fair value through statement of income (FVIS), at 30 June 2011 was as follows:

	<i>30 June 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
<i>Units in open ended mutual fund</i>		
Insurance operations	263,213	257,178
Shareholders' operations	299,502	299,462
	<u>562,715</u>	<u>556,640</u>

The above investments represent units of an open ended mutual fund, denominated in Saudi Arabian Riyals.

The movement in the investments during the six-month period ended 30 June 2011 and year ended 31 December 2010 is as follows:

	<i>30 June 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
<i>Insurance operations</i>		
Balance at the beginning of the period/year	257,178	-
Purchased during the period/year	6,000	253,965
Unrealised gain during the period/year	35	3,213
Balance at the end of the period/year	<u>263,213</u>	<u>257,178</u>
<i>Shareholders' operations</i>		
Balance at the beginning of the period/year	299,462	-
Purchased during the period/year	-	296,035
Unrealised gain during the period/year	40	3,427
Balance at the end of the period/year	<u>299,502</u>	<u>299,462</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

6 CHANGE IN ACCOUNTING ESTIMATE

In order to comply with the 'Implementing Regulations' and the requirements of Saudi Arabian Monetary Agency, the Company changed its method of provisioning for doubtful debts from premium invoiced basis (i.e. based on aging from the due date of the premium receivable) to premium written basis (i.e. based on aging from the inception date of the policy). This change in estimation basis has been applied prospectively from 1 January 2011. As a result of change in the estimation basis and increase in the level of operations, the provision for doubtful debts for the period from 1 January 2011 to 30 June 2011 has increased by SR 56,518 thousand.

7 CLAIMS INCURRED

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2011 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>
<i>Insurance Operations</i>				
Gross claims paid	386,515	302,156	732,595	627,820
Claims recovered	(490)	-	(490)	-
Outstanding claims at the end of the period	390,797	305,759	390,797	305,759
	<u>776,822</u>	<u>607,915</u>	<u>1,122,902</u>	<u>933,579</u>
Outstanding claims at the beginning of the period	(381,327)	(277,136)	(352,379)	(275,259)
	<u>395,495</u>	<u>330,779</u>	<u>770,523</u>	<u>658,320</u>

As at 30 June 2011, all the outstanding claims which are covered by XOL reinsurance, are lower than the XOL limit and therefore no reinsurance recovery has been booked in these interim financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

8 TRANSACTIONS WITH RELATED PARTIES

The following are the details of major related party transaction during the six-month period ended 30 June 2011 and the related balance at the period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Six-month period ended 30 June 2011 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2010 (Unaudited) SR'000</i>
Shareholders' Operations			
Bupa Middle East Limited E.C. (Affiliate)	Payment in respect of Goodwill (note 3)	20,990	-
ASAS Health Care Company Limited (ASAS – Affiliate)	Payments made on behalf of the Company and recharged to the Company	-	(513)
Insurance Operations			
Related parties	Premiums written	15,377	11,251
	Claims paid	2,469	3,259
	Medical cost payments to a provider (see note (a) below)	43,933	24,438
	Trade mark fee	927	-
Key management personnel	Short-term benefits	4,451	4,697
	Long-term benefits	1,374	165

(a) The related party is a hospital provider where any of Bupa Arabia'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, and which contract is on an arm's length basis.

Amount due to related parties is disclosed in the interim statement of financial position. Net premiums receivable include premiums receivable from related parties amounting to SR 3,699 thousands (31 December 2010: SR 2,559 thousands).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

9 ZAKAT AND INCOME TAX

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

Movement in the zakat and income tax payable accrued during the six-month period ended 30 June 2011 and for the year ended 31 December 2010 are as follows:

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 30 June 2011 (Unaudited) SR'000</i>	<i>Total 31 December 2010 (Audited) SR'000</i>
At the beginning of the period/year	7,317	588	7,905	10,318
Provided during the period/year	3,784	1,878	5,662	12,453
Payments during the period/year	(1,446)	(1,565)	(3,011)	(14,866)
Balance at end of the period/year	<u>9,655</u>	<u>901</u>	<u>10,556</u>	<u>7,905</u>

10 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

Due to 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.

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

Segment assets do not include cash and cash equivalents and prepayments and other assets.

Segment liabilities do not include accruals and other liabilities, amount due to shareholders' operations 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:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 30 June 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	246,722	284,671	531,393
Premium ceded	(317)	(357)	(674)
Net written premiums	246,405	284,314	530,719
Movement in net unearned premiums	(14,954)	(35,111)	(50,065)
Net earned premiums	231,451	249,203	480,654
Net claims incurred	(220,270)	(175,225)	(395,495)
Unallocated income	-	-	839
Unallocated expenses	-	-	(105,434)
Deficit from insurance operations			(19,436)

	<i>For the three-month period ended 30 June 2010</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	211,568	203,816	415,384
Premium ceded	(516)	(497)	(1,013)
Net written premiums	211,052	203,319	414,371
Movement in net unearned premiums	(5,634)	(21,079)	(26,713)
Net earned premiums	205,418	182,240	387,658
Net claims incurred	(180,880)	(149,899)	(330,779)
Unallocated income	-	-	355
Unallocated expenses	-	-	(57,675)
Deficit from insurance operations			(441)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the six-month period ended 30 June 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	614,493	657,980	1,272,473
Premium ceded	(626)	(671)	(1,297)
Net written premiums	613,867	657,309	1,271,176
Movement in net unearned premiums	(155,291)	(190,605)	(345,896)
Net earned premiums	458,576	466,704	925,280
Net claims incurred	(427,896)	(342,627)	(770,523)
Unallocated income	-	-	1,891
Unallocated expenses	-	-	(208,065)
Deficit from insurance operations			(51,417)

	<i>For the six-month period ended 30 June 2010</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	527,675	524,683	1,052,358
Premium ceded	(764)	(749)	(1,513)
Net written premiums	526,911	523,934	1,050,845
Movement in net unearned premiums	(129,134)	(165,738)	(294,872)
Net earned premiums	397,777	358,196	755,973
Net claims incurred	(364,792)	(293,528)	(658,320)
Unallocated income	-	-	672
Unallocated expenses	-	-	(111,119)
Deficit from insurance operations			(12,794)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) **SEGMENT INFORMATION (continued)**

	<i>As at 30 June 2011</i>		
	Major SR '000	Non-major SR '000	Total SR '000
Insurance operations' assets			
Premiums receivable, net	26,966	33,882	60,848
Premiums written not invoiced, net	321,540	336,055	657,595
Deferred policy acquisition costs	8,158	9,907	18,065
Unallocated assets	-	-	726,325
Total			1,462,833
Insurance operations' liabilities and surplus			
Unearned premiums	454,175	551,540	1,005,715
Outstanding claims	217,022	173,775	390,797
Unallocated liabilities and surplus	-	-	66,321
Total			1,462,833

	<i>As at 31 December 2010</i>		
	Major SR '000	Non-major SR '000	Total SR '000
Insurance operations' assets			
Premiums receivable, net	38,687	17,285	55,972
Premiums written not invoiced, net	218,550	215,318	433,868
Deferred policy acquisition costs	7,008	8,462	15,470
Unallocated assets	-	-	624,967
Total			1,130,277
Insurance operations' liabilities and surplus			
Unearned premiums	298,884	360,935	659,819
Outstanding claims	202,680	149,699	352,379
Unallocated liabilities and surplus	-	-	118,079
Total			1,130,277

11 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with presentation in the current period.

12 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 17 July 2011.