



Table of contents

Chairman's message	1
CEO's message	2
Our board members	4
Our vision, mission	6
Our story	7
Our values	10
Our services	11
Our awards	12
Board report	13
Financial information	23

Chairman's message

To the Shareholders of Bupa Arabia,

It gives me great pleasure to present the Company's first annual report and accounts following receipt of the Ministerial Resolution announcing the formation of Bupa Arabia on the 1st May 2008.



Loay Hisham Nazer, Chairman

"Bupa Arabia prides itself on its service differentiation and class leading customer solutions, delivered through leading edge technology, and the fact that more than 8 out of 10 of our customers renew their medical insurance policies with us."

1.2Bn
SR in earned premium

The Saudi insurance market has witnessed many important developments over recent years, primarily the granting of licenses to a number of co-operative insurance companies marking a new era in the insurance industry in KSA. Bupa Arabia was one of the companies who received their license, in August 2008, and on the 31st December 2008, Bupa Arabia entered into an agreement with Bupa Middle East Limited E.C. to purchase its insurance operations in the Kingdom of Saudi Arabia, effective from the 1st January, 2009.

I am delighted with the progress that the business has made in our first trading period as Bupa Arabia following the acquisition of the insurance operations of Bupa Middle East. On behalf of the Board, I would like to thank the management and employees of Bupa Arabia whose leadership and commitment has made 2009 a year of significant growth in customers, revenue and underlying profitability.

When the Bupa Group and the Nazer Group set up its joint venture partnership back in 1997, we had a long-term vision of a strong, market-leading business delivering exceptional customer service to a large customer base. Now, at the end of 2009, we can proudly reflect on a fascinating journey that has seen us grow into a business with more than 5,000 corporate and SME clients, revenues of more than SR1.2Bn and more than 530 employees with 42% Saudis.

The most satisfying aspect of this milestone has been the fact that this growth has been delivered against a backdrop of continued customer service

excellence. Bupa Arabia prides itself on its service differentiation and class leading customer solutions, delivered through leading edge technology, and the fact that more than 8 out of 10 of our customers renew their medical insurance policies with us, is testament to the investments that we make each year in continually enhancing and improving the customer experience.

But the journey has only really just started. We have bigger and bolder ambitions to be the health and care leader in the Kingdom of Saudi Arabia and we will continue to stick to the core principles that have served us so well up to now, in our quest to achieve this goal.

I believe that with the management team and employees of Bupa Arabia in place, we are extremely well positioned to build an even stronger business for the future.

Signed on Behalf of the Board
Loay Hisham Nazer - Chairman

CEO's message

I feel great pride in presenting Bupa Arabia's first annual report covering the period from 1 May 2008 to 31 Dec 2009.



Tal Nazer, Chief Executive Officer

"Whilst our business has experienced unprecedented growth, we have ensured that the customer remains at the heart of everything we do."

The period has been characterized by rapid growth amidst challenging market conditions. Guided by our aim of market leadership set forth since we started over 12 years ago, we continue to pursue market leadership through growth that maximises shareholder value focused on:

- Grow top line revenue and our customer base profitably;
- Continue to enhance our customer service offering and further differentiate Bupa through best in class service delivery;
- Drive business efficiency through sensible cost management, process review and the introduction of new technology;
- Invest in our people and;
- Build capacity in distribution and systems

The period covered by this report has seen strong growth in portfolio and premiums earned. By year end 2009, our achievements include:

- SR 1,205m earned premium
- SR 56m in profit
- Over 5,000 corporate and SME customers

In 2009 our net margin was 4.6% amidst increasingly competitive market and increased medical inflation due to limited capacity amongst healthcare providers in the Kingdom. Overall, our medical cost in 2009 was SR 973m.

Directly related to bottom line improvements is our high customer retention rate that stands at over 80%. Our customer base is being served through our network of nearly 500 hospitals and clinics across KSA.

Whilst our business has experienced unprecedented growth, we have ensured that the customer remains at the heart of everything we do. We have also launched our Doctor on Phone helpline to provide customers needed

medical and wellness information. We have used the power of the web and mobile technology in an information campaign on dengue fever. We also worked hand in hand with our customers and the Ministry of Health in informing the public about the A H1N1 virus through prevention seminars and health information dissemination.

These results could not have been delivered without the hard work and commitment of our people who remain to be our greatest asset. In 2009, both employee satisfaction and employee retention improved. These achievements are significant given employee numbers have increased by nearly 30% during the period to handle our growing portfolio. Our strides and achievements in taking care of our greatest asset are as follow:

- 100% increase in training investment
- Launching of our management development program
- Saudisation rate of 42%
- 28% female workforce providing equal opportunity to Saudi women

To improve efficiency and serve our customers even better, we harnessed leading edge technology for our propriety systems and processes:

- Insurance operating system capacity increased to handle two million customers
- Upgraded call centre and call handling systems to enhance our response rates.
- Introduced a new sales CRM system to enhance clients communications and contact management

As a prime example of this technology working for the benefit of our customers, we now have nearly 300 of our "Basmah" fingerprint and swipe card terminals installed across our provider network delivering real-time in-facility treatment request approvals. Utilisation

and customer satisfaction are high and our intention is to roll this service out across our entire network in 2010.

All this hard work has not gone unnoticed by the industry as we were recognised with these awards:

- Best Innovative Solution 2009 with our third E-Business award at the Middle East Insurance Awards (INSUREX)
- 4th Best Work Environment among 500 Saudi companies, survey annually conducted by Al Eqtesadiyah newspaper.
- A special citation for having the Best Work Environment for Women in the entire Kingdom

Working with regulators and other government agencies as partners has also been our focus.

Our health insurance products continue to be fully regulation compliant and all licenses are in place. In accordance with appropriate corporate governance, the company held quarterly Board meetings in 2009 and also put in place board committees overseeing the areas of investment strategy, internal audit and control, and remuneration and nomination. Each of these committees met at least twice in 2009.

Our focus for the coming year will remain anchored on delivering positive growth to all our stakeholders. We will relentlessly pursue market leadership through differentiation. We will do this by developing and enhancing services employing the latest technology.

We will continue to invest in our distribution, systems and people capacities to build an even stronger business.

Finally I would like to thank the board and the Bupa Arabia Team for their support and drive to position Bupa Arabia as the health and care leader in Saudi Arabia by taking care of the lives in our hands.

Tal Hisham Nazer
Chief Executive Officer

"Our focus for the coming year will remain anchored on delivering positive growth to all our stakeholders. We will relentlessly pursue market leadership through differentiation."

56
million SR in profit

80
percent
customer retention rate

4th
Ranked 4th best working
environment in 2009

Our board members



1. Eng. Loay Hisham Nazer, Chairman

Eng. Nazer Joined the Board of Bupa Arabia and appointed Chairman in 1997. Chairman of Nazer Group that operates several companies in a variety of businesses including private equity, health insurance, manufacturing, events and conferences, medical equipment and marketing and distribution.

Eng. Nazer is also a current board member of the Council of Cooperative Health Insurance, the official regulatory body for health insurance in Saudi Arabia, past Vice Chairman of the National Insurance Committee at the Saudi Chamber of Commerce, and one of the leading negotiators with the various governmental institutions for the development of the insurance market in the country.

2. Mr. William Stephen Ward, Director

Joined the Bupa Arabia Board in April 2008 as a non-executive Director. Director on the following Boards: Bupa Ecuador SA, Max Bupa Health Insurance Company Limited, Amedex Insurance Company Limited and Bupa Middle East Limited.

In 2006 Mr. Ward joined BUPA as the Chief Operating Officer for BUPA International Businesses. Currently, he is Chief Operating Officer for International Markets, accountable for Bupa Hong Kong, Bupa Thailand and Bupa Latin America.

3. Dr. Mohammed Akef Al Maghrabi, Director

Dr. Maghrabi is an Ophthalmic Physician and Surgeon, Chairman of the Magrabi Hospitals and Centers, Middle East & Africa, Chairman of the Board of El-Mansour & El-Maghraby Investment and Development Company, Egypt, Founder and Chairman of Al Noor Foundation, Egypt, Founder and Honorary President, Middle East African Council of Ophthalmology, Board Member of the Future Foundation for Low Housing, Egypt, Board Member of the Egyptian Fund for Social Development, Founder & Chairman of the Board of Trustees, Saudi Institute of Health Services, KSA, Founder & Vice-Chairman of EBSAR Foundation for Rehabilitation of Visually Impaired, KSA, Founder of Magrabi International Nursing Faculty, Egypt, Member of the Board of Trustees, British University of Egypt, Member of the Board of Trustees, Nile University of Egypt, Chairman of the Board of Distant Learning University of

Egypt. Former Member of the Board of Trustees of the Medical Sub Specialties Council of Saudi Arabia.

Dr. Maghrabi is also the Vice President of the International Council of Ophthalmology, former Member of the Board of Trustees of Johns Hopkins University, Baltimore, Maryland, USA, Former member of the Advisory Board of the Wilmer Eye Institute, Baltimore, Member of the Advisory Board of the Johns Hopkins University School of Hygiene and Public Health, Baltimore, Member of the International Advisory Board of Tissue Banks International, Baltimore, Member of the American Academy of Ophthalmology, Member of the American Society of Cataract and Refractive Surgery, Vice-President of the International Federation of Eye Banks, Former Member of the World Health Organization (WHO) Program Advisory Group on the Prevention of Blindness, Former Member of the International Agency for the Prevention of Blindness Task Force for "Vision 2020" by WHO.

4. Eng. Zuhair Hamed Fayez, Director

Eng. Fayez is the President of Zuhair Fayez Partnership, Consultants, Architecture, Engineering, Information Systems, Industrial Engineering and Engineering Information Systems which he established in 1975. It is ranked as one of the most eminent consultancies in the world, and has offices in Jeddah, Riyadh, Dhahran and Cairo.

Eng. Fayez served as a member of the Provincial Council of Makkah Region for four years until 2009. He is the Chairman of the Board of Trustees of Dar Al-Hekma Private College for Girls in Jeddah, member of the Saudi Council of Engineers, a member of the College of Architecture and Planning Advisory Board, University of Colorado, USA, a member of the Advisory Committee for the Faculty of Environmental Design, King Abdulaziz University, Jeddah and a member of the Consulting Committee for the College of Environmental Design, King Fahad University of Petroleum and Minerals, Dhahran.

Eng. Fayez received his bachelor's and master's degrees in architecture from the University of Colorado in 1970 and 1971 respectively.

5. Mr. Aamer Abdullah Alireza, Director

Mr. Alireza is the Managing Director of the Services Group, part of the Xenel Group of Companies and a member of its Board of Directors. Mr. Alireza

is also the CEO of Saudi Trade & Export Development Company and a member of the Board of Directors of its parent company, Saudi Industrial Services Company (a Saudi Joint Stock company), in addition to being a board member of SAMA Airlines.

He is also the Chief Executive Officer of Red Sea Gateway Terminal (RSGT) and its affiliate, Saudi Trade & Export Development Company (Tusdeer), and a Board Member of its parent company, Saudi Industrial Services Company (SISCO), a public listed company.

Mr. Alireza also serves on the Board of Directors of Friends of Jeddah Parks, a non-profit organization. Mr. Alireza graduated from Pitzer College in California with a B.A. in Economics and Political Science in 1994. He had also attended various Management Executive programs at the University of California - Berkeley, Harvard, and Stanford Universities in 1996, 2000 and 2003 respectively.

6. Mr. Anthony Cabrelli, Director

Mr. Cabrelli is the Chief Operating Officer for Bupa Latin America. Previous roles at Bupa have included Development Director for EMEALA Division within Bupa Group, Global Sales and Development Director at Bupa International.

7. Mr. Tal Hisham Nazer, Chief Executive Officer

Mr. Nazer was the Customer Service & Operations Director for Bupa Middle East before becoming CEO in 2007. He worked for the National Commercial Bank, ORYX CAPITAL, and Merrill Lynch. Mr. Nazer has strong ties with the business community in Saudi Arabia and he is currently a board member in the following bodies: Jeddah Chamber of Commerce & Industry; National Centre for Health Insurance Standards and Arabian Medical Marketing Co. Ltd.

Mr. Nazer is also the Vice Chairman of the Nazer Group. Mr. Nazer holds an MBA degree from Wharton School, Pennsylvania and obtained a Bachelor's degree in Economics from the University of California, Los Angeles in December 1996.



OUR MISSION

“To be the health and care leader in Saudi Arabia by taking care of the lives in our hands”

OUR VISION

“Taking care of the lives in our hands”



Our story: Bupa in Saudi Arabia

Until the mid-1990s, the insurance industry was not regulated by the Saudi government. However, there were nearly one hundred companies operating in the market via overseas offices of multinational insurance companies.

In 1999, a Royal Decree mandated PMI for non-Saudis and created an independent governing body for health insurance regulation, the Council of Cooperative Health Insurance (CCHI). Actual enforcement of mandatory PMI commenced in mid-2006 in phases, starting with large companies with over 500 non-Saudi employees. Enforcement to all private companies followed in the following years.

This was the catalyst for significant growth in the industry.

1.3Bn

SR in GWP 2009

Our beginnings:

Bupa Middle East (BME) was incorporated in Bahrain in September 1997 as a joint venture between Bupa Group and Nazer Group. The new joint venture started its operations with the intention of leading the market by leveraging Bupa Group's expertise in health insurance and Nazer Group's understanding of the Saudi market.

Early on, the focus of BME was to build its capacity to offer comprehensive health insurance cover backed by world-class services. BME pursued this strategy relentlessly, starting with its pioneering 24/7 service - a dedicated customer helpline. The roll out of BME's trendsetting online services followed suit, together with the launching of Bupa Direct - the company's first foray into retail sales.

Market regulation:

In mid-2006, the government started implementing mandatory health insurance for private companies with 500 or more non-Saudi employees. A phased implementation to smaller companies followed suit.

Regulation was a period of rapid growth for the company. From the start of regulation in 2006 to last year, BME averaged over 50% in membership expansion. It has also attained an enviable retention rate of over 80% in the past 3 years with over SR 1.347b in GWP.

Managing growth:

While all health insurers offer the same cover enforced by CCHI, Bupa Arabia differentiates itself from the market through its premium service offerings.

With the use of both simple and leading edge technology, Bupa is able to provide its customers a unique experience in customer care. Its services launched

→ Tadawul milestone

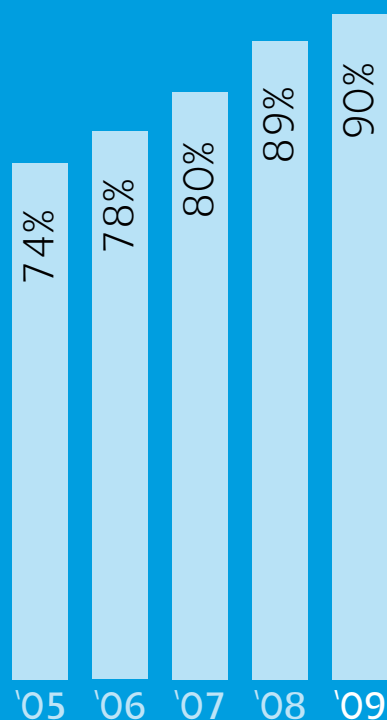
In March 2008, after satisfying all legal requirements and with SR.400 million capital Bupa Arabia staged its Initial Public Offering (IPO), achieving the biggest in the industry: nine times oversubscribed, from 2.5m subscribers.

To get a better perspective of its size, an insurance IPO is open only to Saudi citizens. With an estimated Saudi population of around 17 million, around 15% of all legal aged Saudis want to invest in Bupa. After one of the most successful IPOs in Saudi, Bupa Arabia is now one of the largest publicly listed companies in the Saudi stock market.

through the years have been recognized with awards both in Saudi Arabia and throughout the GCC for the answering the needs of customers:

- 24/7 customer helpline
- Msg.Bupa service
- Bupa Active online services
- Basmah swipe-card and fingerprinting service
- Doctor on Phone medical helpline

Customer service levels (Percentage of customers who ranked Bupa as either 'very good' or 'excellent' from 2005 to 2009.



90

percent customer service satisfaction level

Complementary and support services were also developed to fully maximise customer benefits. With online links already existing within Bupa's network of hospitals and clinic throughout Saudi Arabia, automated request approvals were introduced to further cut waiting times. A unique Roving Doctor service was introduced to ensure Bupa customers receive quality treatment within its network. These and other support services firmly establish Bupa Arabia as a leading premium service insurer.

Our edge

While technology allowed us to offer wide-ranging services, it is through our core of over 500 staff that the Bupa experience comes to life. Their extraordinary contributions constitute Bupa's real edge.

Bupa's investment in providing its employees with both professional and personal growth has allowed it to retain the best in the industry. Bupa's efforts in securing for them a working environment at par with Saudi's best has consistently placed Bupa among the top companies with best working environment in the Kingdom. In 2009, Bupa Arabia was ranked 4th from the 500 companies surveyed.

The future

In April 2010, Bupa start operating from a bigger and better headquarters in Jeddah. The company's rapid growth through the years required it to hire and train more people to take care of its growing portfolio.

On this new headquarters, Bupa Arabia will continue to blaze the trail for others to follow. It will continue to pioneer services that directly benefit its customers while setting the bar even higher for others to follow.

From its humble beginnings to its industry leadership, Bupa Arabia will continue to make history in the service of its customers.

This is our story.

10
million customers worldwide



Bupa Group

Since its establishment in 1947, Bupa has evolved from being a UK company with 38,000 members into a major international health and care organization with over 10 million members spread across 190 countries. Bupa's growth for the past 63 years has been anchored on its vision of 'taking care of the lives in our hands'. Following this vision, Bupa's original business of private medical insurance has grown to include, among others:

- Hospitals
- Care homes
- Disease management
- Health information
- Travel

With over 52,000 employees worldwide, Bupa provides comprehensive health and care management in 12 countries where it has major operations. In Saudi Arabia, the Bupa group is into PMI through Bupa Arabia.

A global company

Bupa's operations in the UK encompass personal health insurance, hospitals, health assessments, care homes, home healthcare to health coaching. Bupa is the biggest health care provider in Spain through Bupa Sanitas.

In the past few years, Bupa has expanded considerably, growing its business organically from its existing businesses and through acquisition. Bupa has extended its international footprint with acquisitions of major insurance and health related businesses in North America, Australia and India. Bupa has also started its operations in China, considered one of the largest untapped markets in the world. Recently Bupa acquired Health Dialogue in the US.

Focus on health

For over 60 years, Bupa remains true to its purpose - 'to help people live longer, healthier and happier lives.' To this end, Bupa commits its resources in

the advancement of health through its various stakes in businesses all focused solely on health and care. This level of expertise and the group's combined wealth of experience in different markets will be its guidepost for growth now and in the future.

"With over 52,000 employees worldwide, Bupa provides comprehensive health and care management in 12 countries where it has major operations."



OUR VALUES

Respectful

We treat each person as an individual and we do everything we can to protect their privacy and dignity.

Ethical

People can rely on us to obey the most stringent standards and to act appropriately at all times.

Dedicated

We are dedicated to providing an exceptional service and we're constantly searching for new ways to improve and protect people's health.

Accountable

The quality, efficiency and value of our service depends on each and every one of us.

Caring

We genuinely care about people's health and wellbeing. We exist for no other reason.

Enabling

By giving clear, expert information, based on our knowledge and experience, we help people to understand health issues and make decisions that are right for them.

Our services

Bupa customers know what it means to be a Bupa member. Aside from a comprehensive health insurance cover, members receive services that set Bupa on a class of it's own in Saudi Arabia.

Exclusive and trendsetting, Bupa customers enjoy the following services:



24/7 dedicated helpline

Bupa customers know that whenever they need to, wherever they are; they can call Bupa's 24/7 helpline anytime, any day.



Bupa Active

By simply registering, customers can enjoy the convenience of transacting with Bupa online - at the time of their convenience, anywhere in the world.



Msg.Bupa

Once enrolled in this free service, customers receive free updates on requests they made or made on their behalf to Bupa, allowing them to ask for even faster service at point of service.



Basmah

Bupa customers enjoy quicker access to medical service through the use of swipe card at hospitals. Basmah's biometric security provides better safeguard of their medical records.



Automated pre-authorization

Bupa's online link with its medical providers give customers quick responses and in most cases instant answers on requests made for treatment. This link shortens waiting time at hospitals while giving customers fast access to medical care.



Roving Doctors

Customers receive double care as Bupa doctors visit hospitals and clinics to check on Bupa patients. This ensures that customers receive the best treatment and necessary medical attention.



Doctor on Phone

Customers have exclusive access to a medical helpline manned by medical professionals. Bupa doctors provide medical information, second opinions and wellness tips while maintaining caller confidentiality.



International SOS

Customers feel safe that whenever they face medical emergencies while outside of Saudi Arabia, Bupa can assist them to receive quick medical access wherever they are in the world.

Our awards

Bupa Arabia's dedication to providing world-class services to its customers using leading-edge technology sets it apart in the market. Investments in the development of employees who provide these services were honoured and recognized. Bupa Arabia remains the only Saudi insurer to receive multiple accolades for its pioneering and trendsetting initiatives.

Best Medical Insurer Award 2006 and 2008

Recognised by the Jeddah Chamber of Commerce as the best medical insurance company in the region for its services to customers and medical providers.

Best Company Working Environment 2007, 2008 and 2009

Recognised three times in a row for having one of the best working environments among companies in Saudi Arabia.

Best E-Business Award 2007, 2008 and 2009

Honoured three times for our innovative electronic business solutions which answer the needs of our customers (online services, Msg. Bupa and Basmah service).



Best Working Environment for Women - 2008

Ranked 1st for promoting the professional development of Saudi women in the workplace, an honour presented by Prince Faisal Bin Salman Bin Abdul Aziz.

Best Growing Company 2009

Ranked 17th fastest growing companies in Saudi Arabia by the SAGIA, NEXT Economics, the Harvard Business School and the NCB. Bupa ranked 8th in the SME sector.

Best Call Centre Award 2007 and 2008

Back to back wins which recognized the valuable services available to our members through our 24/7 helplines.

Board Report



Board of Directors report for the period ending 31/12/2009

The Board of Directors of Bupa Arabia for Cooperative Insurance is pleased to present the first annual report covering the company's financial results and achievements, followed by the audited financial statements and notes for the period ending December 31, 2009 (twenty months). The 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 (the Company) is a Saudi public joint stock company, registered in Saudi Arabia under C.R. No. 4030178881 on date 05/05/1429 H (10/05/2008).

The company specializes in cooperative health insurance and other business-related activities which take place in accordance with the provisions of the Insurance Law and regulations and its amendments and relevant rules in Saudi Arabia. The company was listed on the Saudi stock market on May 17, 2008.

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

2. Asset purchase agreement and transfer of insurance portfolio:

After the completion of the IPO process, on 07/03/1429 H (15/03/2008), 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).

The Company's license was approved by Royal Decree No. M/74 dated 29/08/1428 H (11/09/2007) and by declaration from the Council of Ministers No. 279 dated 28/08/1428 H (10/09/2007).

The Saudi Arabian Monetary Agency (SAMA) permitted BUPA Arabia to conduct the business of 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, and Article IV of the law's executive summary issued by decree of Minister of Finance No. 1/596 date 01/03/1425, and the pronouncement of the Governor of SAMA No.111/429 date of 08/08/1429.

The Company concluded an agreement to purchase the insurance portfolio and the net assets of BUPA Middle East Limited E.C. registered in the Kingdom of Bahrain. Accordingly, a financial study was presented to SAMA (including assessment of the operations) by an independent auditor.

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

The Ordinary General Assembly meeting took place on Sunday, 30/12/1429 H (28/12/2008), in which it was approved unanimously to purchase the insurance portfolio of BUPA Middle East Limited E.C. following the guidelines set by SAMA. Shareholders delegated to the Board the full authority to complete the acquisition and agree on terms and conditions of the purchase. The agreement was signed between BUPA Middle East Limited E.C. as seller and Asas Co. Ltd. as an agent of BUPA Middle East in Saudi Arabia.. The purchase was effective 1st January 2009.

Shareholders approved unanimously, during the second ordinary session of the General Assembly, held on Wednesday 19/09/1430 H

(09/09/2009), that the company enters into a licensing agreement for using Bupa's trademark as well as for utilising information systems and services with BUPA Asia, with the agreement providing for technical services by Bupa Finance. Shareholders authorised the Board of Directors to agree on the terms and conditions of these two agreements.

Based on SAMA's letter no IS928 dated 07/071430 H (30/06/2009), the company obtained SAMA's approval to transfer the insurance portfolio of Bupa Middle East Limited E.C. (Bahrain) to Bupa Arabia and thereafter, the Q1 2009 financial statements were republished on 21/07/2009 after having been certified by the External Auditors as to cover all areas of the company's activities including insurance operations that had not been published whilst the transfer was taking place.

3. Official approval of company's products:

The company received the final official approval on all products from SAMA on 19/02/1430 H according to letter no. AS229 which is in compliance with the executive summary of Supervision of Cooperative Insurance Law.

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

The CCHI has granted the company the final eligibility under the letter number 5821/30/2/T dated 11/03/1430 H (08/03/2009).

5. Financial statement:

Balance Sheet as of 31 Dec. 2009 (Thousand Saudi Riyal)	Policyholders' operations	Shareholders' operations	Consolidated
Total assets	895,147	508,007	1,403,154
Liabilities	797,865	70,654	
Accrued liabilities	51,750		
Total liabilities	849,615	70,654	
Accounts payable-Shareholders' operations	39,580		
Policyholders' share of surplus	5,952		
Total liabilities and surplus from policyholders' operations	895,147		
Equity		437,353	
Total liabilities and shareholders' equity		508,007	
Total liabilities , surplus from policyholders' operations and shareholders' equity			1,403,154

This statement represents net assets acquired from Bupa Middle East on Jan 1, 2009 thus no previous statements to compare to.

Income statement as of 31 Dec. 2009 (Thousand Saudi Riyal)	<u>Shareholders' operations</u>	<u>Policyholders' operations</u>
Turnover		
Total of earned premiums		1,205,440
Reinsurance ceded		(89)
Net earned premiums		1,205,351
Shareholders share from policyholders' operations	53,570	
Claims incurred		(973,422)
Net underwriting result		231,929
Other income		2,666
Overhead/expenses		
Marketing & Sales expenses	(3,985)	(98,598)
General & administrative expenses	(8,983)	(76,475)
Insurance surplus		59,522
Shareholders share from policyholders' operations		(53,570)
Cooperative distribution		(5,952)
Surplus end of period	40,602	-
Interest income	15,418	
Year's net profit	56,020	
Weighted average of outstanding shares	40,000	
Basic earnings per share	1,4	

6. Accounting policies:

In compliance with the Capital market Authority's regulation dated 27/08/2008 permitting the issuance of financial statements according to International Financial reporting Standards (IFRS), the statements revealed herewith have been prepared following the international accounting policies instead of the Saudi GAAP. The company confirms that the outcome of statements have not been affected by this practice.

7. Company's policy of distribution of profits:

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

- The exclusion of Zakat and income tax.
- 20% of net profits are allocated to form a statutory reserve. The general assembly has the authority to halt this action when reserves equal the full amount of paid-up capital.
- 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 allocate it to purposes of its choosing.
- The balance shall be distributed as 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.

8. Services and operation activities:

• Marketing and sales:

In order to keep pace with, and stay ahead of, the evolutions in the market and increased competitive pressures, Bupa Arabia has continued to improve and enhance its sales activities and distribution channels through the continued building of qualified and well-trained sales teams. In addition, the company continues to invest in its sales management system which has contributed to achieving strong sales growth, strong customer retention and strong customer satisfaction levels.

Bupa Arabia has carried out marketing and advertising campaigns throughout the year covering all newspapers and magazines with the objective of promoting its pioneering health insurance products and services. This increased exposure resulted in a noticeable growth in the number of customers by 35% and in the number of renewed memberships exceeding 84%.

• CSR programs:

Bupa Arabia initiated a large educational campaign in 2009 to promote awareness of the H1N1 virus in support of the efforts of the Ministry of Health. This involved a series of sessions with a large number of corporate customers, sending out SMS messages, advertisements in daily newspapers, posters and flyers and a campaign at Jeddah's King Abdulaziz International Airport.

• 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 accessibility to the CCHI system.

The company also introduced its Basmah swipe card and fingerprint service in more than 100 hospitals and clinics across its networks. This program is aimed to speed up the pre-authorisation process in provider facilities, thereby greatly enhancing the customer experience, as well as eradicating fraudulent behaviour.

• Human resources and work environment:

Saudi nationals form 42% of the total workforce at Bupa Arabia. In 2009, the HR department completed the company's organisational

structure and applied international-benchmarked employment grading and salary scales. The company also conducted full employee appraisals that covered both technical and job-related training activities. In co-operation with leading external specialist training providers, 36 training courses were conducted, the equivalent of 1,152 man hours of training..

The unique and stimulating work environment at Bupa Arabia was the key to achieving 4th place in the Best Work Environment competition organized by Al Eqtisadiyah newspaper. This represented a 4-place improvement on 2008 . The company has also been recognized for providing the best career development and work environment for Saudi Women.

- **Information systems:**

The company continues to invest in it's IT infrastructure to ensure it has the most robust systems to deal with future growth and in parallel, invest in technology as a driver for future customer service enhancements. In 2009, the Company completed implementation of phase one of its CRM system and integrated new features to its customer service call center and IVR to enhance operational capacity. The company will continue to employ the latest customer service technologies to maintain its pioneering position in such a highly competitive market. In 2009, Bupa Arabia was awarded, for the third consecutive year, the e-business award for Insurance companies across the Middle East. This was in recognition for its Basmah service. Previous wins were for SMS technology and online services.

9. Disclosure in accordance with laws and regulations:

- **Provision of corporate governance:**

Bupa Arabia has committed to full adherence to the provision of corporate governance issued by CMA's council in bulletin No. 1-1-2009 dated 08/01/1430 H (05/01/2009) with the following minor exceptions:

Clause B of article 6: The cumulative vote system is the method to nominate board members in the general assembly. Alternatively, the company followed the regulations of the Ministry of Trade.

The company's Corporate governance code will be agreed and approved by the board in 2010.

- **Board of directors:**

The Board of directors consists of the following:

Membership	Name	Membership in other joint stock companies
Non-executive	Eng. Loay Hisham Nazer	n/a
	Mr. William Stephen Ward	n/a
	Mr. Anthony Frank Cabrelli	n/a
Independent	Eng. Zuhair Hamid Fayez	n/a
	Dr. Mohammed Akef Al Maghrabi	n/a
	Mr. Amer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
Executive	Mr. Tal Hisham Nazer	n/a

- Benefits and emoluments of board members and senior executives:

The table below details salaries, emoluments, allowances and bonuses received by board members and senior executives from 01/05/2008 to 31/12/2009:

Description	Executive members	Non-executive members/ Independents	Five senior executives including CEO and Finance Director
Salaries and emoluments -	-	-	3,300
Allowances	30	129	1,520
Annual bonuses	180	1,020	4,913
Total	210	1,149	9,733

- Description of equities of board members:

Name	Position	Opening shares	Opening shares ratio	Change in shares	Change in shares ratio	Closing shares
Eng. Loay Hisham Nazer	Chairman of the board	435,300	1.08825%	-162,500	-0.40625%	272,800
Mr. Tal Hisham Nazer	Member	21,378	0.05344%	-20,378	-0.05094%	1,000
Mr. Anthony Frank Cabrelli	Member	-	-	-	-	-
Mr. William Stephen Ward	Member	-	-	-	-	-
Eng. Zuhair Hamid Fayez	Member	1,000	0.0025%	-	-	1,000
Dr. Mohammed Akef Al Maghrabi	Member	1,000	0.0025%	-	-	1,000
Mr. Amer Abdullah Ali Reza	Member	6,000	0.0015%	-	-	6,000

Bupa Investments Overseas Co. Ltd. registered 1,000 shares with the CMA for each Board member as guarantee shares for its representatives on the Board.

- Description of equities of senior executives:

Name	Position	Opening shares	Opening shares ratio	Change in shares	Change in shares ratio	Closing shares
Mr. Hisham Fayez Ali Radwan	Marketing and Sales Director	23,000	0.0575%	-	-	23,000

- Board meetings:

Name	Position	No. of meetings attended
Eng. Loay Hisham Nazer	Chairman of the board	6
Mr. Tal Hisham Nazer	Managing Director	6
Mr. Anthony Frank Cabrelli	Member	3
Mr. William Stephen Ward	Member	6
Eng. Zuhair Hamid Fayez	Member	2
Dr. Mohammed Akef Al Maghrabi	Member	2
Mr. Amer Abdullah Ali Reza	Member	6

No penalties/sanctions have been taken against the company by the CMA or any other administrative, organizational or judicial bodies.

In fiscal year 2009, Bupa Arabia appointed Zuhair Fayeze Partnerships (ZFP) in which Mr. Fayeze is a major shareholder, to carry out construction and interior design works for the new headquarters building that the company is planning to move to in Q2 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 will make note of this contract to shareholders during the next Ordinary General Assembly Meeting. This contract required none of the members to agree to waive any compensation of any type.

Board committees:

- [Audit committee](#)

The Audit committee consists of Mr. Saleh Al-Jasser (Chairman), Mr. Robert Jones and Mr. Duncan Walsh (independent members). The audit committee's function is to ensure the credibility of the financial statements of the company and to provide advice and recommendation to the Board with regards internal and external auditing, and compliance with all regulatory regulations and instructions. The Committee also reviews the company's policies and procedures to verify compliance with the laws and instructions in the issuance of financial statements. To ensure the completion of its work to the fullest, the Audit Committee will maintain effective working relations with the Board, management, and with the external and internal auditors. The committee held two meetings during 2009 in the presence of all members.

- [Executive committee](#)

The Executive committee consists of Eng. Loay Nazer (Chairman), Mr. Tal Nazer and Mr. William Ward (members). The committee sets the annual income target of Bupa Arabia that 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 12 meeting in 2009 in the presence of all members.

- [Compensation committee](#)

The Compensation committee consists of Eng. Loay Nazer (Chairman), Mr. William Ward, Mr. Anthony Cabrelli (members) and Mr. John Handley (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 one meeting during 2009 in the presence of all members.

- [Investment committee](#)

The Investment committee consists of Mr. Hossam Radwan (Chairman), Mr. Hassan Al Jabri and Mr. Simon Warren (both independent members). The committee's remit is the management of the company's investment portfolio to achieve the best return for the business. The Committee acts as 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 committee appoints investment managers based on experience 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 three meetings during the year in the presence of all members.

10. Establishing a Shariah-compliance committee:

On 1st of April 2009, the company contracted the office of Dr. Mohammed Ali Al Gari to obtain Islamic Shariah compliance and advisory services. The office reviews the company's products and services, investments, transactions, contracts and activities in order to ensure full compliance with Shariah law. The office is currently in the process of preparing an internal Shariah-compliance committee.

11. Zakat, official payables and loans:

Total Zakat payable for founding investors and Saudi shareholders for the period was SR 5,838,000 for the 20 months ending 31/12/2009. This amount will be paid before 30/04/2010 according to the regulations of the Department of Zakat and Income Tax.

12. Accounting records and company's ability to continue with operations:

All financial statements are prepared in accordance with international accounting standards. The company confirms proper preparation of respective statements and the ability to continue operations in health insurance on an ongoing basis.

13. Internal audit system:

Annual audits showed the effectiveness of internal audit procedures in 2009. The company commenced an audit committee to maintain these procedures and to achieve them to the fullest. The internal audit department evaluates internal systems in place to ensure the achievability and regulatory process of the goals set.

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 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 his period.



**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of audit:

We have audited the accompanying statement of financial position of Bupa Arabia For Cooperative Insurance Company - A Saudi Joint Stock Company ('the Company') as at 31 December 2009, and the related statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the period from 1 May 2008 to 31 December 2009. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole:

1. Present fairly, in all material respects, the financial position of the Company as at 31 December 2009 and the results of its operations and its cash flows for the period from 1 May 2008 to 31 December 2009 in accordance with International Financial Reporting Standards; and
2. Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



for Sindi & Batterjee

Mazen M. Batterjee
Certified Public Accountant
Registration No. 217



8 Rabi Awal 1431 H
22 February 2010

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 SR'000
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	4	444,162
Prepayments and other assets	5	28,823
Premiums receivable, net	6	64,732
Premiums written not invoiced	7	342,666
Deferred policy acquisition costs	8	14,764
Total insurance operations' assets		895,147
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	4	308,789
Accrued income	5	613
Amount due from insurance operations		39,580
Goodwill	1 & 3	98,000
Furniture, fittings and equipment	10	21,025
Statutory deposit	11	40,000
Total shareholders' assets		508,007
TOTAL ASSETS		1,403,154

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2009

	Note	2009 SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		
Insurance operations' liabilities:		
Unearned premiums	12	522,517
Outstanding claims	13	275,259
Reinsurance balance payable		89
		797,865
Accruals and other liabilities	14	51,750
		849,615
Amount due to shareholders' operations		39,580
Policyholders' share of surplus from insurance operations		5,952
		895,147
Total insurance operations' liabilities and surplus		
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities		
Accruals and other liabilities	14	11,336
Accrued Zakat and income tax	15 (c)	10,318
Amount due to a related party in respect of goodwill	3 (b)	49,000
		70,654
Total shareholders' liabilities		
Shareholders' equity		
Share capital	16	400,000
Statutory reserve	17	9,534
Retained earnings		27,819
		437,353
Total shareholders' equity		
		508,007
Total shareholders' liabilities and equity		
TOTAL LIABILITIES, SURPLUS FROM INSURANCE OPERATIONS AND SHAREHOLDERS' EQUITY		
		1,403,154

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the period from 1 May 2008 to 31 December 2009

	Note	For the period from 1 May 2008 to 31 December 2009 SR'000
REVENUE		
Gross premiums earned	12	1,205,440
Reinsurance ceded	12	(89)
Net premiums earned	12	1,205,351
CLAIMS		
Claims incurred	13	973,422
NET UNDERWRITING RESULT		231,929
OTHER INCOME		2,666
EXPENSES		
Selling and marketing	18	(98,598)
General and administration	19	(76,475)
SURPLUS FROM INSURANCE OPERATIONS		59,522
Shareholders' share of surplus from insurance operations	2 (a)	(53,570)
POLICYHOLDERS' SHARE OF SURPLUS FROM INSURANCE OPERATIONS		5,952
Transfer of surplus to policyholders	2 (a)	(5,952)
Accumulated surplus at the end of the period		-

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the period from 1 May 2008 to 31 December 2009

	Note	For the period from 1 May 2008 to 31 December 2009 SR'000
REVENUE		
Shareholders' share of surplus from insurance operations		53,570
EXPENSES		
General and administration	19	(3,985)
Pre-incorporation expenses written off	20	(8,983)
		40,602
Interest income		15,418
NET PROFIT FOR THE PERIOD		56,020
Weighted average number of ordinary shares outstanding (in thousands)		40,000
Basic earnings per share (in Saudi Riyals)	25	1.40

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 May 2008 to 31 December 2009

For the period
from 1 May 2008
to
31 December 2009
SR'000

NET PROFIT FOR THE PERIOD	56,020
Other comprehensive income/(expense)	-
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56,020

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 1 May 2008 to 31 December 2009

	Note	Share Capital SR'000	Statutory Reserve SR'000	Retained earnings SR'000	Total SR'000
Issue of share capital	16	400,000	-	-	400,000
Transaction costs	16	-	-	(8,349)	(8,349)
Total comprehensive income for the period from 1 May 2008 to 31 December 2009		-	-	56,020	56,020
Zakat for the period	15	-	-	(5,838)	(5,838)
Income tax for the period	15	-	-	(4,480)	(4,480)
Transfer to statutory reserve	17	-	9,534	(9,534)	-
Balance at 31 December 2009		400,000	9,534	27,819	437,353

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the period from 1 May 2008 to 31 December 2009

	Note	For the period from 1 May 2008 to 31 December 2009 SR'000
OPERATING ACTIVITIES		
Policyholders' share of surplus from insurance operations		5,952
Adjustment for:		
Depreciation	10	6,798
Movement in unearned premiums		141,897
		154,647
Changes in assets and liabilities:		
Prepaid expenses and other assets		(23,162)
Premiums receivable, net		(332)
Premiums written not invoiced		(95,503)
Deferred policy acquisition costs		(1,062)
Outstanding claims		84,365
Reinsurance balance payable		89
Accruals and other liabilities		21,552
Amounts due to shareholders' operations		52,168
Net cash from operating activities		192,762
INVESTING ACTIVITY		
Cash and cash equivalents acquired from the Seller	3	251,400
Cash from investing activities		251,400
INCREASE IN CASH AND CASH EQUIVALENTS		444,162
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	444,162
MAJOR NON-CASH TRANSACTIONS:		
Assets acquired	3	332,400
Liabilities taken over	3	601,712

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the period from 1 May 2008 to 31 December 2009

	Note	For the period from 1 May 2008 to 31 December 2009 SR'000
OPERATING ACTIVITIES		
Net profit for the period		56,020
Changes in assets and liabilities:		
Accrued income		(613)
Amount due from insurance operations		(52,168)
Accruals and other liabilities		11,336
Amount due to a related party - other		1,474
Net cash from operating activities		16,049
INVESTING ACTIVITIES		
Purchase of furniture, fittings and equipment	10	(9,911)
Amount paid to a related party in respect of goodwill	3	(49,000)
Statutory deposit	11	(40,000)
Net cash used in investing activities		(98,911)
FINANCING ACTIVITIES		
Issue of share capital	16	400,000
Transaction costs	16	(8,349)
Net cash from financing activities		391,651
INCREASE IN CASH AND CASH EQUIVALENTS		308,789
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	308,789
MAJOR NON-CASH TRANSACTION:		
Assets acquired, net	3	17,912

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

1) ORGANISATION 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 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 Bugshan Building, Mushrefah District, Palestine Street, Jeddah, Saudi Arabia. The Company is licensed to conduct insurance business in 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 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 Arabian stock market 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 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 Saudi Arabian Monetary Agency (SAMA), along with related insurance assets and liabilities of an equivalent amount (see note 3). 50% of the goodwill has been paid during the period from 1 May 2008 to 31 December 2009. In accordance with the instructions of SAMA, the remaining 50% will be paid in future years out of the Company's profits from those years, after obtaining SAMA's approval.

2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2a BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards.

These financial statements are prepared under the historical cost convention. The financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand.

As per the Company's by-laws and articles of association, the Company's first fiscal period shall commence on the date of the Ministerial Resolution announcing its formation, which was dated 24 Rabi Thani 1429 H (corresponding to 1 May 2008), and shall end on 31 December the following Gregorian year, being 31 December 2009. Accordingly, these financial statements, which are the first set of statutory financial statements of the Company, are prepared for the period from 1 May 2008 to 31 December 2009. As these are the first set of statutory financial statements of the Company, there are no comparative figures in these financial statements.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts 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 accounts. The basis of allocation of expenses from joint operations is determined by the management.

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%
	100%

In accordance with Article 70 of the SAMA Implementing Regulations, the Company will distribute 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.

2b SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and short term deposits that have original maturity periods not exceeding three months.

Premiums receivable

Premiums receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Policy acquisition costs

Commission paid to internal sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

Goodwill

Goodwill represents the amount paid by the Company in excess of the net fair value of the identifiable assets, liabilities acquired from Bupa Middle East Limited E.C. (see note 3). Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Furniture, fittings and equipment

Furniture, fittings and equipment are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Furniture, fittings and office equipment	3 to 5 years
Computer applications	4 to 6.67 years

Residual values, useful lives and the method of the depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognised in the statement of insurance operations and accumulated surplus on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations and accumulated surplus.

Expenditure for repair and maintenance is charged to the statement of insurance operations and accumulated surplus. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' terminal benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge for the period is transferred to the statement of insurance operations and accumulated surplus on an actual basis.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Income tax is debited to non-Saudi founding shareholders' equity account while Zakat is debited to the Saudi founding shareholders and general public equity account.

As all tax and Zakat charges will be recovered from the shareholders, no adjustments are made in the financial statements to account for the effects of deferred income taxes.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of insurance operations and accumulated surplus or the statement of shareholders' operations. Impairment is determined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

- (a) For assets carried at fair value, impairment is the difference between cost and fair value.
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Premiums earned

The Company only issues short term insurance contracts for providing health care services ('medical insurance') in Saudi Arabia. Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the statement of insurance operations and accumulated surplus in order that revenue is recognised over the period of risk.

Reinsurance premiums

Reinsurance premiums ceded are recognized as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

Interest income

Interest income is recognised using the effective yield method.

Claims

Claims, comprising amounts payable to contract holders and third parties, net of volume rebates and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company scientifically estimates its claims based on previous experience. In addition a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance contracts held

In order to minimise financial exposure from large claims the Company enters into excess-of-loss (XOL) reinsurance agreements with internationally reputed reinsurers. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts, if any, are shown as 'Reinsurers' share of outstanding claims' in the statement of financial position until the claim is agreed and paid by the Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to amounts due from/(to) reinsurers.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion and advertisement as well as any allowance for doubtful debts. All other expenses are classified as general and administration.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the issue of share capital. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

Foreign currencies

The accounting records are maintained in Saudi Riyals. Transactions in foreign currencies are recorded in Saudi Riyals at the approximate rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Fair values of financial instruments

Financial instruments include cash and cash equivalents, receivables, outstanding claims, payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2c SIGNIFICANT ACCOUNTING ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on previous experience of the transferred portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

Allowance for doubtful receivables

Specific allowances are made for those customers whose policies have lapsed or have been suspended by the Company. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a group basis, based on the ageing profile of the overdue premium receivables. Such estimates involve various degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

2d PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

IFRS 9 "classification and measurement of financial assets" has been published in its final form and is mandatory for compliance for the accounting year beginning 1 January 2013; early adoption is allowed. It replaces part of IAS 39 Financial Instruments: Recognition and Measurement. It substitutes the current IAS 39 classification of financial assets (Trading, FVIS, Available for sale, Held to maturity and Held at amortized cost) into two main classifications (Held at amortized cost and held at fair value either through statement of income or through statement of comprehensive income).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

3) TRANSFER OF PORTFOLIO

a) As stated in note 1, 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 Saudi Arabian Monetary Agency (SAMA), along with related insurance assets and liabilities of an equivalent amount. The value of assets and liabilities acquired from the Seller, as at 1 January 2009, as per the valuation approved by SAMA, are as follows:

	SR'000
ASSETS	
Short term deposits	242,771
Bank balances and cash	8,629
Cash and cash equivalents	251,400
Prepayments and other assets	5,661
Premiums receivable, net	64,400
Premiums written not invoiced, net (see note 7)	247,163
Deferred policy acquisition costs (see note 8)	13,702
Amounts due from a related party	1,474
Furniture, fittings and equipment, net (see note 10)	17,912
Total assets transferred	601,712
LIABILITIES	
Unearned premiums (see note 12)	380,620
Outstanding claims (see note 13)	190,894
Accruals and other liabilities	30,198
Total liabilities transferred	601,712
NET ASSET TRANSFERRED	-

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

	For the period from 1 May 2008 to 31 December 2009 SR'000
Value of goodwill	98,000
Paid during the period	(49,000)
Balance at the end of the period	49,000

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

4) CASH AND CASH EQUIVALENTS

	2009 SR'000
Insurance Operations	
Cash in bank (see note (a) below)	190,662
Short-term deposits (See note (b) below)	253,500
	444,162
Shareholders' Operations	
Cash in bank	13,615
Short-term deposits (See note (b) below)	295,174
	308,789

a) At 31 December 2009, bank balances amounting to SR 190.4 million are held in the name of a related party of the Company, on behalf of the Company. Subsequent to year end, this amount has been transferred to the Company.

b) The short term deposits are held with commercial banks. These bank deposits are denominated in Saudi Arabian Riyals and had an original maturity not exceeding three months.

5) PREPAYMENTS AND OTHER ASSETS

	2009 SR'000
Insurance Operations	
Prepayments	27,802
Accrued income	311
Other receivables	710
	28,823
Shareholders' Operations	
Accrued income	613
	613

6) PREMIUMS RECEIVABLE, NET

	2009 SR'000
Insurance Operations	
Balance at the end of the period	84,531
Allowance for impairment	(19,799)
At 31 December	64,732

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Movements in the allowance for impairment of receivables was as follows:

	Period from 1 May 2008 to 31 December 2009 SR'000
Balance acquired from the seller	13,046
Transferred from PWNI provision account (see note 7)	7,754
Provision no longer required	(1,001)
At 31 December	19,799

The age analysis of receivables arising from insurance contracts is as follows:

	Neither past due nor impaired SR	Past due but not impaired			Total SR
		Up to three months SR	Above three and up to six months SR	Above six and less than twelve months SR	
31 December 2009	36,382	16,926	11,424	-	64,732

All invoices are issued a month in advance of payment due date and the period of past due is calculated from the invoice payment due date. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

7) PREMIUMS WRITTEN NOT INVOICED

Premiums written not invoiced, which are not yet contractually due, represent the difference between the premiums written and the amounts invoiced. The movement in this account during the period is as follows:

	Period from 1 May 2008 to 31 December 2009 SR'000
Balance acquired from the seller (note 3)	247,163
Gross premiums written (note 12)	1,347,337
Invoices raised during the period	(1,251,834)
At 31 December	342,666

In respect of premiums written not invoiced, 4 major customers accounted for 13.5% of this balance as at 31 December 2009.

Movements in the allowance for impairment was as follows:

	Period from 1 May 2008 to 31 December 2009 SR'000
Balance transferred from the seller	7,754
Provision transferred to Premiums receivable provision account, as no longer required (see note 6)	(7,754)
At 31 December	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

8) DEFERRED POLICY ACQUISITION COSTS

	Period from 1 May 2008 to 31 December 2009 SR'000
Balance acquired from the Seller (see note 3)	13,702
Expenses deferred	14,764
Amortisation for the period	(13,702)
At 31 December	14,764

9) TRANSACTIONS WITH RELATED PARTIES

The following are the details of major related party transactions during the period from 1 May 2008 to 31 December 2009 and the related balance at the period end:

Related party	Nature of transaction	Period from 1 May 2008 to 31 December 2009 SR'000
Insurance Operations		
Related parties	Premiums written	10,495
Key management personnel	Short term benefits	8,134
	Long term benefits	1,599
Shareholders' Operations		
Bupa Middle East Limited E.C. (related party)	Assets acquired (note 3)	601,712
	Liabilities taken over (note 3)	601,712
	Goodwill acquired (note 3)	98,000
	Payment in respect of goodwill (note 3)	49,000
	Payments made on behalf of a related party and recharged to the related party	1,615
	Transaction costs paid on behalf of the Company (IPO) and recharged to the Company (note 16 and see below)	8,349
	Pre-incorporation expenses paid on behalf of the Company and recharged to the Company (note 20 and see below)	8,983
	General and administrative expenses paid on behalf of the Company and recharged to the Company	1,474
ASAS Health Care Company Limited (ASAS - related party)	Payments made on behalf of the Company and recharged to the Company	1,831

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Premiums amounting to SR 10.5 million were written for related parties. Prices and terms for these transactions are approved by the Chief Executive Officer in accordance with the authority delegated to him by the board of directors.

Insurance claims paid to related parties amounted to SR 4.1 million and provider claims paid amounted to SR 32.1 million.

As at 31 December 2009, receivables from related parties amounted to SR 1.8 million, and payable to related parties amounted to SR 6.7 million. Furthermore, the amount due to a related party in respect of goodwill is disclosed in the statement of financial position.

In the Constituent General Assembly Meeting held on 15 April 2008, the shareholders approved reimbursement of transaction costs and pre-incorporation costs, amounting to SR 17.3 million, to the affiliate, Bupa Middle East Limited E.C.

Zakat and income tax recoverable from the shareholders, amounting to SR 5.8 million and SR 4.5 million respectively, is disclosed in note 15.

The Company has entered into a service contract for office interior design and project management, for the Company's future premises, with a company owned by one of the Directors of the Company. The total contracted amount is SR 2.2 million and was awarded after a transparent supplier evaluation process and the approval of the Board.

10) FURNITURE, FITTINGS AND EQUIPMENT

	Furniture, fittings and office equipment SR'000	Computer applications SR'000	Total SR'000
Shareholders' Operations			
Cost:			
Acquired from the Seller (note 3)	10,255	33,841	44,096
Additions during the period	2,538	7,373	9,911
At 31 December	12,793	41,214	54,007
Depreciation:			
Acquired from the Seller (note 3)	3,744	22,440	26,184
Charge for the period	1,888	4,910	6,798
At 31 December	5,632	27,350	32,982
Net carrying amount:			
At 31 December 2009	7,161	13,864	21,025

As the furniture, fittings and equipment are used for the benefit of insurance operations, the depreciation is charged to the statement of insurance operations and accumulated surplus.

11) STATUTORY DEPOSIT

	2009 SR'000
Shareholders' Operations	
Statutory deposit	40,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up share capital, amounting to SR 40 million in a bank designated by the Saudi Arabian Monetary Agency ("SAMA").

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

12) NET PREMIUMS EARNED

	For the period from 1 May 2008 to 31 December 2009 SR'000
Insurance Operations	
Gross written premiums (note 7)	1,347,337
Unearned premiums acquired from the Seller (note 3)	380,620
	1,727,957
Unearned premiums at the end of the period	(522,517)
Gross premiums earned	1,205,440
Premium ceded	(89)
Unearned premiums at the end of the period	-
Reinsurance premiums ceded	(89)
Net premiums earned	1,205,351

13) CLAIMS INCURRED

	For the period from 1 May 2008 to 31 December 2009 SR'000
Insurance Operations	
Gross claims paid	889,057
Outstanding claims at the end of the period	275,259
	1,164,316
Outstanding claims acquired from the Seller (note 3)	(190,894)
	973,422

With effect from 15 December 2009, the Company has entered into an excess-of-loss (XOL) reinsurance contract with its reinsurers. All the outstanding claims, with respect to the period from 15 December 2009 to 31 December 2009, are lower than the XOL limit and therefore no reinsurance recovery has been booked in these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

14) ACCRUALS AND OTHER LIABILITIES

	2009 SR'000
Insurance Operations	
Accrued expenses	29,806
Other liabilities	21,944
	51,750
Shareholders' Operations	
Accrued expenses	43
End of service benefits (see note below)	11,293
	11,336

Movement in end of service benefits provision during the period is as follows:

	For the period from 1 May 2008 to 31 December 2009 SR'000
Balance transferred from the Seller	8,360
Charged during the period	3,369
Paid during the period	(436)
At 31 December	11,293

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

As the services of the employees are with respect to the insurance operations, the charge for the period is charged to the statement of insurance operations and accumulated surplus.

15) ZAKAT AND INCOME TAX

a) Zakat

The Zakat payable by the Company has been calculated in accordance with Zakat regulations in Saudi Arabia.

The Zakat provision for the period is based on the following:

	For the period from 1 May 2008 to 31 December 2009 SR'000
Equity	400,000
Book value of long term assets	(169,086)
	230,914
Adjusted income for the period	88,824
Zakat base	319,738
Attributable to Saudi founding shareholders and the general public @ 73.75%	235,806

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

The movement in the Zakat provision for the period is as follows:

	For the period from 1 May 2008 to 31 December 2009 SR'000
Charge for the period	5,838
Balance at the end of the period	5,838

b) Income tax

The movement in the tax provision for the period is as follows:

	For the period from 1 May 2008 to 31 December 2009 SR'000
Charge for the period	4,480
Balance at the end of the period	4,480

c) Zakat and income tax payable

	2009 SR'000
Zakat payable	5,838
Income tax payable	4,480
	10,318

d) Status of assessments

As required by Saudi Arabian fiscal regulations, Zakat and income tax returns have been filed with the Department of Zakat and Income Tax (the DZIT) for the period from 1 May 2008 to 31 December 2008. Zakat and income tax assessments for the period from 1 May 2008 to 31 December 2008 have not yet been raised.

16) SHARE CAPITAL

a) The share capital of the Company is SR 400 million divided into forty million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for twenty four million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company and the remaining sixteen million shares with a nominal value of SR 10 each, which represents 40% of the shares of the Company, have been subscribed by the public.

b) The Company incurred a sum of SR 8,349 thousands as transaction costs to raise capital of SR 160 million through an Initial Public Offering (IPO) and this amount has been charged directly to equity (see also note 9).

17) STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to one hundred percent of the paid up share capital. During the period, the Company has transferred SR 9.5 million to statutory reserve being 20% of the shareholders' income, net of transactions costs, directly charged to retained earnings. The reserve is not available for distribution.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

18) SELLING AND MARKETING EXPENSES

	For the period from 1 May 2008 to 31 December 2009 SR'000
Insurance Operations	
Employee costs	26,285
Marketing expenses	8,482
Fulfilment cost	6,672
Commission expenses	30,531
Statutory levies	23,600
Other	3,028
	98,598

19) GENERAL AND ADMINISTRATION EXPENSES

	For the period from 1 May 2008 to 31 December 2009 SR'000
Insurance Operations	
Employee costs	52,382
Repair and maintenance	4,084
Travelling expenses	2,563
Communication expenses	4,852
Depreciation	6,798
Other operating costs	5,796
	76,475
Shareholders' Operations	
Statutory expenses	645
Legal and professional fees	1,893
Board expenses (see note 21)	1,365
Other	82
	3,985

20) PRE-INCORPORATION EXPENSES WRITTEN OFF

	For the period from 1 May 2008 to 31 December 2009 SR'000
Legal and professional fees	7,345
Statutory expenses	1,304
Advertisement expenses	276
Other	58
	8,983

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Pre-incorporation expenses represent costs incurred by a related party, Bupa Middle East Limited E.C., on behalf of the Company, and subsequently recharged to the Company, for the period up to 1 May 2008, being the date of the issuance of the Ministerial Resolution declaring the incorporation of the Company.

21) BOARD OF DIRECTORS' REMUNERATION AND RELATED EXPENSES

	For the period from 1 May 2008 to 31 December 2009 SR'000
Board of Directors' remuneration	1,200
Board attendance fees	69
Other sub-committees expenses	96
	1,365

Board of Directors' remuneration represents remuneration payable to the Chairman and the remaining seven members of the Board, and its sub-committees.

22) 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:

	Period from 1 May 2008 to 31 December 2009		
	Major	Non-major	Total
	SR'000	SR'000	SR'000
Net premiums earned	621,182	584,169	1,205,351
Claims incurred	(544,813)	(428,609)	(973,422)
Unallocated income	-	-	2,666
Unallocated expenses	-	-	(175,073)
Surplus from insurance operations			59,522

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

	Period from 1 May 2008 to 31 December 2009		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable, net	41,093	23,639	64,732
Premiums written not invoiced, net	161,992	180,674	342,666
Deferred policy acquisition costs	6,553	8,211	14,764
Unallocated assets	-	-	472,985
Total			895,147
Insurance operations' liabilities and surplus			
Unearned premiums	231,932	290,585	522,517
Outstanding claims	154,055	121,204	275,259
Reinsurance balance payable	46	43	89
Unallocated liabilities and surplus	-	-	97,282
Total			895,147

23) COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments - Company as lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2009 SR'000
Within one year	4,408
After one year but no more than five years	23,400
More than five years	33,617
Total	61,425

b) At 31 December 2009, the Company had capital commitments amounting to SR 16.6 million.

c) A bank of the Company's related party has given performance guarantees, limited to SR 2.8 million, in respect of insurance premiums written by the Company, and a payment guarantee, limited to SR 0.3 million, on behalf of the Company. In addition, the bank of the related party has also given another guarantee to regulatory authorities, limited to SR 25 million. The Company has pledged short term deposits, amounting to SR 30 million, to the bank for obtaining such guarantees.

24) RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

Insurance risk is the risk that actual claims payable to policyholders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The Company only issues short term contracts in connection with medical risks.

Geographical concentration of risks

The Company's insurance risk exposure relating to contract holders is concentrated in Saudi Arabia.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company only underwrites medical risks. Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy. Claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Reinsurance risk

With effect from 15 December 2009, in common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, has entered into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. All of the reinsurance is effected under an excess-of-loss reinsurance contract. The Company has reinsurance cover to limit losses for any individual claim to SR 200 thousand and deals with reinsurance companies, which are rated at least A or above by international rating agencies.

Regulatory framework risk

The operations of the Company are also subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Capital management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The table below summarizes the minimum regulatory capital of the Company:

	2009 SR'000
Minimum regulatory capital (Premium solvency margin method)	215,560

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, statutory deposit, cash and cash equivalents, outstanding claims and certain other assets and liabilities.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market price risk and interest rate risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. At 31 December 2009, the Company is not exposed to any market price risk.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its deposits.

The Company places deposits which are realisable within three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia. Management limits interest rate risk by monitoring changes in interest rates in the currencies in which its deposits are denominated.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Details of maturities of the major classes of interest bearing securities as at 31 December are as follows:

Insurance Operations	2009 SR '000			Total
	Less than 3 months	3 months to 1 year	No fixed maturity	
Short term deposits	253,500	-	-	253,500
	253,500	-	-	253,500

Shareholders' Operations	2009 SR '000			Total
	Less than 3 months	3 months to 1 year	No fixed maturity	
Short term deposits	295,174	-	-	295,174
Statutory deposit	-	-	40,000	40,000
	295,174	-	40,000	335,174

The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective interest rates for the interest bearing financial instruments, at the period end, were as follows:

	2009
Insurance operations	
Saudi Riyal denominated deposits	0.88%
Shareholders' operations	
Saudi Riyal denominated deposits	1.10%

The following table demonstrates the sensitivity of statement of insurance operations and accumulated surplus and statement of shareholders' operations to reasonably possible changes in interest rates, with all other variables held constant.

	2009 SR'000 Effect on profit
Insurance operations	
Saudi Riyals:	
Increase in interest rates by 100 basis points	2,535
Decrease in interest rates by 100 basis points	(2,535)
Shareholders' operations	
Saudi Riyals:	
Increase in interest rates by 100 basis points	2,952
Decrease in interest rates by 100 basis points	(2,952)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, as the Company primarily deals in Saudi Riyals only.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2009

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is concentrated in Saudi Arabia.

The Company seeks to limit its credit risk with respect to customers by following the credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with recognised, creditworthy third parties (rated BBB or above).

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

31 December 2009

	Total SR' 000
Insurance' Operations	
Cash and cash equivalents	444,162
Premiums receivable	64,732
	508,894
Shareholders' Operations	
Cash and cash equivalents	308,789
Accrued income	613
Amount due from insurance operations	39,580
	348,982

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The Company's financial liabilities consist of outstanding claims, amount due to a related party, reinsurance balance payable, and certain other liabilities. All financial liabilities, which are non-interest bearing, are expected to be settled within 12 months from the statement of financial position date.

All assets of the Company are current, except for goodwill, furniture, fittings and equipment and statutory deposit, which are non-current in nature.

25) EARNINGS PER SHARE

Earnings per share for the period from 1 May 2008 to 31 December 2009 has been calculated by dividing the net profit for the period by the ordinary issued and outstanding shares at the period-end. Diluted earnings per share is not applicable for the Company for the period from 1 May 2008 to 31 December 2009.

26) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, receivables, and accrued income and its financial liabilities consist of outstanding claims, reinsurance balances payable amount due to a related party in respect of goodwill and other liabilities. The fair values of financial instruments are not materially different from their carrying values. At 31 December 2009, there were no financial instruments held by the Company that were measured at fair value.

27) APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 22 February 2010, corresponding to 8 Rabi Awal 1431 H.