

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2012**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2012**

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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**THE SHAREHOLDERS
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
KINGDOM OF SAUDI ARABIA****Scope of review**

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (the “Company”) as at 30 September 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations and comprehensive income for the three-month and nine-month periods then ended, and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the nine-month period then ended. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standards (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

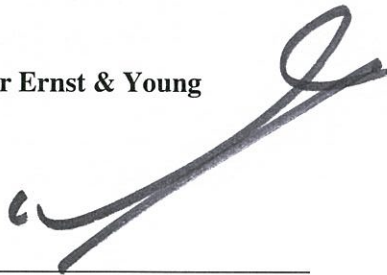
Conclusion

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

Emphasis of matter

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

for KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Licence No. 382

Jeddah, Kingdom of Saudi Arabia

17 October 2012
1 Dhul-Hijjah 1433 H

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		<i>30 September</i> <i>2012</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2011</i> <i>SR'000</i> <i>(Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	857,664	551,914
Murabaha deposits		80,437	58,000
FVIS investments	5	209,776	187,699
Prepayments and other assets		30,199	30,069
Premiums receivable – net	6	388,168	339,830
Deferred policy acquisition costs		22,958	21,097
Total insurance operations' assets		1,589,202	1,188,609
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	13,631	13,631
FVIS investments	5	371,155	373,534
Other receivables		571	244
Amount due from insurance operations		83,208	-
Goodwill	1	98,000	98,000
Furniture, fittings and equipment		43,850	41,565
Statutory deposit		40,000	40,000
Total shareholders' assets		650,415	566,974
TOTAL ASSETS		2,239,617	1,755,583

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2012

		<i>30 September</i> <i>2012</i> <i>SR'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2011</i> <i>SR'000</i> <i>(Audited)</i>
	<i>Notes</i>		
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		989,503	722,739
Outstanding claims	7	422,133	381,265
Reinsurance balance payable		166	702
		<u>1,411,802</u>	<u>1,104,706</u>
Accrued expenses and other liabilities		58,215	59,503
Obligation under Long-Term Incentive Plan (LTIP)		7,178	4,846
		<u>1,477,195</u>	<u>1,169,055</u>
Amount due to shareholders' operations		83,208	-
Policyholders' share of surplus from insurance operations		28,799	19,554
		<u>1,589,202</u>	<u>1,188,609</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		25,768	21,352
Accrued Zakat and income tax	9	32,319	15,437
Amount due to a related party in respect of goodwill	3	3,355	3,355
Amount due to related parties		2,882	4,400
		<u>64,324</u>	<u>44,544</u>
Shareholders' equity			
Share capital		400,000	400,000
Shares held under employees' share scheme		(4,988)	(2,910)
Statutory reserve		32,143	32,143
Retained earnings		158,936	93,197
		<u>586,091</u>	<u>522,430</u>
Total shareholders' equity		<u>586,091</u>	<u>522,430</u>
Total shareholders' liabilities and equity		<u>650,415</u>	<u>566,974</u>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>2,239,617</u>	<u>1,755,583</u>

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2012

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2012 SR'000	2011 SR'000	2012 SR'000	2011 SR'000
REVENUE					
Gross written premiums		466,929	413,916	1,842,666	1,686,389
Premiums ceded		(587)	(702)	(1,733)	(1,999)
Net written premiums		466,342	413,214	1,840,933	1,684,390
Net movement in net unearned premium		66,806	87,377	(266,764)	(258,519)
Net earned premiums		533,148	500,591	1,574,169	1,425,871
CLAIMS					
Gross claims paid		376,574	355,137	1,227,686	1,087,732
Claims recovered		(1,047)	-	(2,228)	(490)
Net claims paid		375,527	355,137	1,225,458	1,087,242
Net movement in outstanding claims	7	(5,048)	1,520	40,868	39,938
Net claims incurred		370,479	356,657	1,266,326	1,127,180
Net underwriting result		162,669	143,934	307,843	298,691
Investment and commission income/(loss)		3,666	(1,581)	8,670	(96)
OTHER INCOME		94	100	307	506
EXPENSES					
Selling and marketing		(40,498)	(35,465)	(107,439)	(171,915)
General and administration		(38,022)	(35,394)	(116,928)	(107,009)
SURPLUS FROM INSURANCE OPERATIONS		87,909	71,594	92,453	20,177
Shareholders' share of surplus from insurance operations		(79,118)	(69,576)	(83,208)	(18,159)
Policyholders' share of surplus from insurance operations		8,791	2,018	9,245	2,018
Policyholders' share of surplus from insurance operations at the beginning of the period		20,008	14,064	19,554	14,064
Policyholders' share of accumulated surplus from insurance operations at the end of the period		28,799	16,082	28,799	16,082

Chairman

Chief Financial Officer

Director and Chief Executive Officer

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

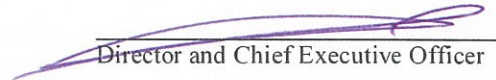
For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>	<i>2012 SR'000</i>	<i>2011 SR'000</i>
REVENUE				
Shareholders' share of surplus from insurance operations	79,118	69,576	83,208	18,159
EXPENSES				
General and administration	(1,390)	(728)	(3,357)	(1,955)
	77,728	68,848	79,851	16,204
Investment income/(loss)	2,187	(2,498)	7,438	(2,311)
NET INCOME FOR THE PERIOD	79,915	66,350	87,289	13,893
Weighted average number of ordinary shares outstanding (in thousands)	39,788	39,853	39,862	39,869
Basic and diluted income per share (in Saudi Arabian Riyals)	2.01	1.66	2.19	0.35

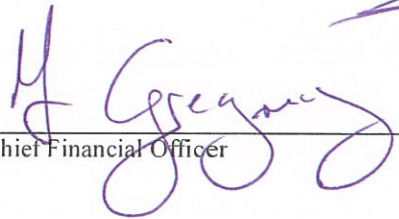
Chairman



Director and Chief Executive Officer



Chief Financial Officer



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

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

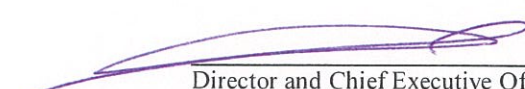
For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>	<i>2012 SR'000</i>	<i>2011 SR'000</i>
NET INCOME FOR THE PERIOD	79,915	66,350	87,289	13,893
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
Zakat for the period (Note 9)	(4,872)	(1,893)	(16,130)	(5,677)
Income tax for the period (Note 9)	(786)	(940)	(5,420)	(2,818)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	74,257	63,517	65,739	5,398

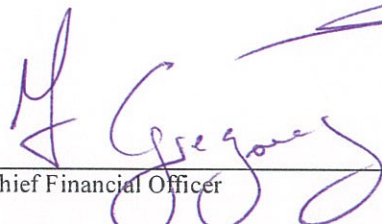
Chairman



Director and Chief Executive Officer



Chief Financial Officer



The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the nine-month period ended 30 September 2012

	Notes	Share capital SR'000	Shares held under employees' share scheme SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2011 (Audited)		400,000	(2,910)	32,143	93,197	522,430
Net income for the period		-	-	-	87,289	87,289
Zakat for the period	9	-	-	-	(16,130)	(16,130)
Income tax for the period	9	-	-	-	(5,420)	(5,420)
Partial disposal of shares held under LTIP		-	1,911	-	-	1,911
Purchase of additional shares held under LTIP		-	(3,989)	-	-	(3,989)
Balance at 30 September 2012 (unaudited)		400,000	(4,988)	32,143	158,936	586,091

		Share capital SR'000	Shares held under employees' share scheme SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at 31 December 2010 (Audited)		400,000	(2,709)	23,694	72,004	492,989
Net income for the period		-	-	-	13,893	13,893
Zakat for the period	9	-	-	-	(5,677)	(5,677)
Income tax for the period	9	-	-	-	(2,818)	(2,818)
Partial disposal of shares held under LTIP		-	1,200	-	-	1,200
Purchase of additional shares held under LTIP		-	(1,401)	-	-	(1,401)
Balance at 30 September 2011 (unaudited)		400,000	(2,910)	23,694	77,402	498,186

Chairman

Director and Chief Executive Officer

Chief Financial Officer

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(UNAUDITED)

For the nine-month period ended 30 September 2012

	Notes	Nine-month period ended 30 September	
		2012 SR '000	2011 SR '000
OPERATING ACTIVITIES			
Policyholders' share of surplus for the period		9,245	2,018
Adjustment for:			
Depreciation		10,138	8,024
Net movement in unearned premiums		266,764	258,519
Allowance for doubtful premiums receivable	6	(14,636)	(59,936)
Deferred policy acquisition costs		(1,861)	(3,856)
Unrealised (gain)/loss on investments	5	(3,806)	2,100
		<u>265,844</u>	<u>206,869</u>
Changes in assets and liabilities:			
Premiums receivable		(33,702)	(85,728)
Prepayments and other assets		(130)	(5,721)
Outstanding claims		40,868	39,938
Due to/(from) shareholders' operations		62,959	(16,615)
Reinsurance balance payable		(536)	(770)
Accrued expenses and other liabilities		(1,288)	3,675
Obligation under LTIP		2,332	531
		<u>336,347</u>	<u>142,179</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of investments	5	(8,160)	(6,000)
Murabaha deposits		(22,437)	(185,054)
		<u>(30,597)</u>	<u>(191,054)</u>
Net cash used in investing activities			
Increase/(decrease) in cash and cash equivalents		305,750	(48,875)
Cash and cash equivalents at the beginning of the period		551,914	346,908
Cash and cash equivalents at the end of the period		857,664	298,033

Chairman

Director and Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

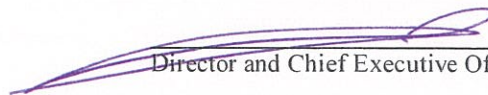
For the nine-month period ended 30 September 2012

	Notes	Nine-month period ended 30 September	
		2012 SR'000	2011 SR'000
OPERATING ACTIVITIES			
Net income for the period		87,289	13,893
Adjustment for:			
Unrealised (gain)/loss on investments	5	(7,732)	2,449
		79,557	16,342
Changes in assets and liabilities:			
Accrued expenses and other liabilities		4,416	5,625
Amount due to related parties		(1,518)	(110)
Due (from)/to insurance operations		(62,959)	16,615
Other receivables		(327)	(244)
		19,169	38,228
Zakat and income tax paid	9	(4,668)	(4,041)
Net cash from operating activities		14,501	34,187
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(12,423)	(12,996)
Purchase of shares held under LTIP		(3,989)	(1,401)
Disposal of shares held under LTIP		1,911	1,200
Amount paid to a related party in respect of goodwill		-	(20,990)
Net cash used in investing activities		(14,501)	(34,187)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		13,631	13,631
Cash and cash equivalents at the end of the period		13,631	13,631

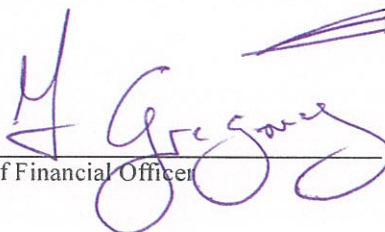
Chairman



Director and Chief Executive Officer



Chief Financial Officer



The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2012

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the “Seller”) pursuant to which it acquired the Seller’s insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009. The acquisition transaction was approved by Saudi Arabian Monetary Agency (“SAMA”) and resulted in goodwill of SR 98 Million.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF PREPARATION

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

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s audited financial statements for the year ended 31 December 2011.

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

In accordance with the by-laws of the Company, the surplus arising from the Insurance Operations is distributed as follows:

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

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

a. BASIS OF PREPARATION (continued)

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

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

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

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

The interim condensed financial statements are expressed in Saudi Arabian Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified. The Company's interim results may not be indicative of its annual results.

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

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

<i>Standard/ Interpretation</i>	<i>Description</i>
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IFRS 7	Financial Instruments: Disclosures (Transfers of Financial Assets)
IAS 34	Interim Financial Reporting (Additional Disclosures)
IAS 24	Related Party Disclosures (Definition of Related Party)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

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

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

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

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
IAS 32	Financial Instruments: Presentation (offsetting financial assets and financial liabilities)	1 January 2014

3 AMOUNT DUE TO A RELATED PARTY IN RESPECT OF GOODWILL

Amount payable to the Seller (related party) in respect of goodwill:	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	3,355	20,990
Compensation for outstanding goodwill (see note below)	-	3,355
Paid during the period/year	-	(20,990)
Balance at the end of the period/year	<u>3,355</u>	<u>3,355</u>

In accordance with the agreement between the Seller and the Company, the Seller is entitled to additional compensation, not exceeding 5% per annum on the outstanding amounts payable to them. Accordingly, during the year ended 31 December 2011, a sum of SR 3,355 thousands payable to the Seller was accrued and charged to general and administration expenses in the statement of shareholders' operations. This amount, which was calculated at a lower percentage than that allowed in accordance with the agreement, will be paid after the receipt of the payment approval from SAMA.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in bank	191,146	194,556
Murabaha deposits	666,518	357,358
	<u>857,664</u>	<u>551,914</u>
<i>Shareholders' Operations</i>		
Cash in bank	<u>13,631</u>	<u>13,631</u>

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

5 FVIS INVESTMENTS

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

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i>Units in open ended mutual fund</i>		
Insurance operations	209,776	187,699
Shareholders' operations	371,155	373,534
	<u>580,931</u>	<u>561,233</u>

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

The movement in the investments during the nine-month period ended 30 September 2012 and year ended 31 December 2011 is as follows:

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i>Insurance operations</i>		
Balance at the beginning of the period/year	187,699	257,178
Purchased during the period/year	8,160	6,000
Transferred from/(to) shareholders' operations (see note below)	10,111	(74,834)
Unrealised gain/(loss) during the period/year	3,806	(645)
	<u>209,776</u>	<u>187,699</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

5 FVIS INVESTMENTS (continued)

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<i>Shareholders' operations</i>		
Balance at the beginning of the period/year	373,534	299,462
Transferred (to)/from insurance operations (see note below)	(10,111)	74,834
Unrealised gain/(loss) during the period/year	7,732	(762)
Balance at the end of the period/year	<u>371,155</u>	<u>373,534</u>

Amount payable to/ receivable from shareholders operations are settled, at each quarter end, by transfer of investments of equivalent amount representing fair value between the operations at the respective dates.

In addition to the above, as at 30 September 2012, an amount of SR 83,208 thousand representing shareholders' share of surplus from insurance operations was payable to the shareholders' operations by the insurance operations. This amount is expected to be settled at the year end.

6 PREMIUMS RECEIVABLE, NET

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Gross premiums receivable	437,638	403,936
Allowance for doubtful premiums receivable	(49,470)	(64,106)
Premiums receivable, net	<u>388,168</u>	<u>339,830</u>

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

	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	64,106	30,164
Provision made during the period/year	-	33,942
Reversal during the period/year	(14,636)	-
Balance at end of the period/year	<u>49,470</u>	<u>64,106</u>

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At 30 September 2012

7 NET MOVEMENT IN OUTSTANDING CLAIMS

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>
<i>Insurance Operations</i>				
Outstanding claims at the end of the period	422,133	392,317	422,133	392,317
Outstanding claims at the beginning of the period	(427,181)	(390,797)	(381,265)	(352,379)
Net movement in the outstanding claims	(5,048)	1,520	40,868	39,938

As at 30 September 2012 and 2011, all the outstanding claims which are covered by XOL reinsurance are lower than the XOL limit and therefore no reinsurance recovery has been booked in these reserves in these interim condensed financial statements.

8 TRANSACTIONS WITH RELATED PARTIES

The following are the details of major related party transactions during the nine month period ended 30 September 2012 and the related balance at the period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>
<i>Insurance Operations</i>			
Shareholders	Premiums written	31,742	24,772
Shareholders	Claims paid	11,080	9,101
Shareholders	Medical cost payments to a provider (see note (a) below)	84,372	59,256
Bupa Middle East Holdings Two WLL (Related party)	Trade mark fee	1,576	1,428
Key management personnel	Short term benefits	6,794	6,336
	Long term benefits	2,384	1,959
<i>Shareholders' Operations</i>			
Bupa Middle East Limited E.C. (Affiliate)	Payment in respect of goodwill (note 3)	-	20,990

- a) The related party is a hospital provider where any of Bupa Arabia's entitled customers, and their qualified members, can use the facilities of the related party. The Company makes payments for all medical costs of all its contracts, to this provider related party, in accordance with the contractual terms of agreement with the provider related party on an arm's length basis. As at 30 September 2012, the estimated payable to the related party, for medical cost payments, amounted to SR 11.2 million (31 December 2011: SR 14.1 million).

Amount due to related parties is disclosed in the interim statement of financial position. Premiums receivable, net, includes premiums receivable from related parties amounting to SR 349 thousand (31 December 2011: SR 1,248 thousand).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

9 ZAKAT AND INCOME TAX

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

Movements in the Zakat and income tax payable accrued during the nine month period ended 30 September 2012 and for the year ended 31 December 2011 are as follows:

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 30 September 2012 (Unaudited) SR'000</i>	<i>Total 31 December 2011 (Audited) SR'000</i>
At the beginning of the period/year	14,088	1,349	15,437	7,905
Provided during the period/year	16,130	5,420	21,550	12,602
Payments during the period/year	(1,481)	(3,187)	(4,668)	(5,070)
Balance at end of the period/year	<u>28,737</u>	<u>3,582</u>	<u>32,319</u>	<u>15,437</u>

Status of assessments

The Company has submitted Zakat and tax returns for the period ended 31 December 2008 and for years ended 31 December 2009 to 2011.

The Department of Zakat and Income Tax ("DZIT") raised assessment with an additional tax, withholding tax and Zakat liability of SR 10.1 million for the period ended 31 December 2008 and for the years ended 31 December 2009 and 2010. The Company filed an appeal against the assessment. Subsequent to appeal, the DZIT raised revised assessment and reduced the tax, withholding tax and Zakat liability to SR 8.8 million. The DZIT also stated that 1% delay fine will be imposed on additional tax and withholding tax liability. The Company intends to file an appeal with DZIT against the revised assessment.

10 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

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

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

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

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

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

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

	<i>For the three-month period ended 30 September 2012</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	256,613	210,316	466,929
Premium ceded	(322)	(265)	(587)
Net written premiums	256,291	210,051	466,342
Net movement in net unearned premiums	32,672	34,134	66,806
Net earned premiums	288,963	244,185	533,148
Net claims paid	187,506	188,021	375,527
Net movement in outstanding claims	(2,521)	(2,527)	(5,048)
Net claims incurred	184,985	185,494	370,479
Net underwriting result	103,978	58,691	162,669
Unallocated income			3,760
Unallocated expenses			(78,520)
Surplus from insurance operations			87,909

	<i>For the three-month period ended 30 September 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	248,720	165,196	413,916
Premium ceded	(397)	(305)	(702)
Net written premiums	248,323	164,891	413,214
Movement in net unearned premiums	5,607	81,770	87,377
Net earned premiums	253,930	246,661	500,591
Net claims paid	191,289	163,848	355,137
Net movement in outstanding claims	819	701	1,520
Net claims incurred	192,108	164,549	356,657
Net underwriting result	61,822	82,112	143,934
Unallocated loss			(1,481)
Unallocated expenses			(70,859)
Surplus from insurance operations			71,594

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2012

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the Nine-month period ended 30 September 2012</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	901,826	940,840	1,842,666
Premium ceded	(854)	(879)	(1,733)
Net written premiums	900,972	939,961	1,840,933
Net movement in net unearned premiums	(126,585)	(140,179)	(266,764)
Net earned premiums	774,387	799,782	1,574,169
Net claims paid	626,008	599,450	1,225,458
Net movement in outstanding claims	21,578	19,290	40,868
Net claims incurred	647,586	618,740	1,266,326
Net underwriting result	126,801	181,042	307,843
Unallocated income			8,977
Unallocated expenses			(224,367)
Surplus from insurance operations			92,453

	<i>For the Nine-month period ended 30 September 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	863,213	823,176	1,686,389
Premium ceded	(1,023)	(976)	(1,999)
Net written premiums	862,190	822,200	1,684,390
Net movement in net unearned premiums	(125,257)	(133,262)	(258,519)
Net earned premiums	736,933	688,938	1,425,871
Net claims paid	597,866	489,376	1,087,242
Net movement in outstanding claims	22,138	17,800	39,938
Net claims incurred	620,004	507,176	1,127,180
Net underwriting result	116,929	181,762	298,691
Unallocated income			410
Unallocated expenses			(278,924)
Surplus from insurance operations			20,177

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>As at 30 September 2012</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – net	246,737	141,431	388,168
Deferred policy acquisition costs	11,236	11,722	22,958
Unallocated assets	-	-	1,178,076
Total			1,589,202
Insurance operations' liabilities and surplus			
Unearned premiums	486,770	502,733	989,503
Outstanding claims	215,636	206,497	422,133
Unallocated liabilities and surplus	-	-	177,566
Total			1,589,202

	<i>As at 31 December 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable - net	181,951	157,879	339,830
Deferred policy acquisition costs	10,348	10,749	21,097
Unallocated assets	-	-	827,682
Total			1,188,609
Insurance operations' liabilities and surplus			
Unearned premiums	368,233	354,506	722,739
Outstanding claims	207,561	173,704	381,265
Unallocated liabilities and surplus	-	-	84,605
Total			1,188,609

11 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 17 October 2012.