


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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE MONTH AND TWELVE MONTH
PERIODS ENDED 31 DECEMBER 2010**


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

Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company - A Saudi Joint Stock Company ('the Company') as at 31 December 2010, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three month and twelve month periods then ended and the related statements of insurance operations' cash flows, shareholders' cash flows and changes in shareholders' equity for the twelve 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 Standard (IAS) 34 and submitted to us together with all the information and explanations which we required.

The comparative figures shown in these interim condensed financial statements were audited / reviewed by Ernst & Young and another auditor, whose audit / review reports contained an unqualified opinion / conclusion with an emphasis of matter paragraph similar to that set out below.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding 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 International Accounting Standard (IAS) 34.

Emphasis of matter

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

Ernst & Young



Ahmed I. Reda
Certified Public Accountant
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14 Safar 1432 H
18 January 2011



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

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	<i>Note</i>	31 December 2010 (Unaudited) SR'000	<i>31 December 2009 (Audited) SR'000</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	346,908	444,162
Investments	5	257,178	-
Prepaid expenses and other assets		20,881	28,823
Premiums receivable, net	8	55,972	64,732
Premiums written not invoiced, net		433,868	342,666
Deferred policy acquisition costs		15,470	14,764
Total insurance operations' assets		1,130,277	895,147
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	13,631	308,789
Investments	5	299,462	-
Accrued income		-	613
Amount due from insurance operations		48,761	39,580
Goodwill	1&3	98,000	98,000
Furniture, fittings and equipment		38,703	21,025
Statutory deposit	6	40,000	40,000
Total shareholders' assets		538,557	508,007
TOTAL ASSETS		1,668,834	1,403,154


Chairman


Chief Financial Officer


Director and Chief Executive Officer

The accompanying notes 1 to 13 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)

At 31 December 2010

	Note	31 December 2010 (Unaudited) SR'000	31 December 2009 (Audited) SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities:			
Unearned premiums		659,819	522,517
Outstanding claims	7	352,379	275,259
Reinsurance balance payable		1,289	89
Accrued expenses and other liabilities		50,488	51,750
Obligation under Long Term Incentive Plan (LTIP)	12	3,477	-
Amount due to shareholders' operations		48,761	39,580
Policyholders' share of surplus from insurance operations		14,064	5,952
Total insurance operations' liabilities and surplus		1,130,277	895,147
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		13,874	11,336
Accrued Zakat and income tax	9	7,905	10,318
Amount due to a related party in respect of goodwill	1&3(b)	20,990	49,000
Amount due to related parties, net	8	2,799	-
Total shareholders' liabilities		45,568	70,654
Shareholders' equity			
Share capital		400,000	400,000
Shares held under Employees' Share Scheme	12	(2,709)	-
Statutory reserve		23,694	9,534
Retained earnings		72,004	27,819
Shareholders' equity		492,989	437,353
Total shareholders' liabilities and equity		538,557	508,007
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,668,834	1,403,154

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The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
For the three month and twelve month periods ended 31 December 2010

	Note	<i>Three month period ended 31 December</i>		<i>Twelve month period ended 31 December</i>	
		<i>2010 (Unaudited) SR'000</i>	<i>2009 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>	<i>2009 (Unaudited) SR'000</i>
REVENUE					
Gross written premiums		308,848	227,955	1,749,390	1,347,337
Premiums ceded		(856)	(89)	(3,180)	(89)
Net written premiums		307,992	227,866	1,746,210	1,347,248
Movement in net unearned premiums		129,726	113,748	(137,302)	(141,897)
Net earned premiums		437,718	341,614	1,608,908	1,205,351
CLAIMS					
Net claims incurred	7	356,561	272,110	1,308,103	973,422
NET UNDERWRITING RESULT		81,157	69,504	300,805	231,929
INVESTMENT INCOME		3,062	514	3,820	2,660
OTHER INCOME		22	3	381	6
EXPENSES					
Selling and marketing	11	(28,034)	(25,188)	(123,689)	(98,598)
General and administration		(27,238)	(22,891)	(100,199)	(76,475)
SURPLUS FROM INSURANCE OPERATIONS		28,969	21,942	81,118	59,522
Shareholders' share of surplus from insurance operations		(26,072)	(19,748)	(73,006)	(53,570)
Policyholders' share of surplus from insurance operations		2,897	2,194	8,112	5,952
Transfer of surplus to policyholders				(8,112)	(5,952)
Accumulated surplus at the end of the period				-	-


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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three month and twelve month periods ended 31 December 2010

	<i>Three month period ended 31 December</i>		<i>Twelve month period ended 31 December</i>	
	<i>2010 (Unaudited) SR'000</i>	<i>2009 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>	<i>2009 (Unaudited) SR'000</i>
REVENUE				
Shareholders' share of surplus from insurance operations	26,072	19,748	73,006	53,570
EXPENSES				
General and administration	(2,717)	3,543	(6,275)	(1,462)
	23,355	23,291	66,731	52,108
Investment income	3,009	689	4,067	5,624
NET INCOME FOR THE PERIOD	26,364	23,980	70,798	57,732
Weighted average number of ordinary shares outstanding (in thousands)	40,000	40,000	40,000	40,000
Basic earning per share (in Saudi Riyals)	0.66	0.60	1.77	1.44


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BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three month and twelve month periods ended 31 December 2010

	<i>Three month period ended 31 December</i>		<i>Twelve month period ended 31 December</i>	
	<i>2010 (Unaudited) SR'000</i>	<i>2009 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>	<i>2009 (Unaudited) SR'000</i>
NET INCOME FOR THE PERIOD	26,364	23,980	70,798	57,732
Other comprehensive income/(expense)	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,364	23,980	70,798	57,732


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BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the twelve month period ended 31 December 2010

	Note	Twelve month period ended 31 December	
		2010 (Unaudited) SR'000	2009 (Unaudited) SR'000
OPERATING ACTIVITIES			
Share of policyholders' surplus for the twelve month period		8,112	5,952
Adjustment for:			
Depreciation		11,606	6,798
Net movement in unearned premiums		137,302	141,897
Premiums written not invoiced, net		(91,202)	(95,503)
Deferred policy acquisition costs		(706)	(1,062)
Unrealised gain on trading investments	5	(3,213)	-
		<u>61,899</u>	<u>58,082</u>
Changes in assets and liabilities:			
Premiums receivable, net		8,760	(332)
Prepaid expenses and other assets		7,942	(23,162)
Outstanding claims		77,120	84,365
Due to shareholders' operations		(2,425)	52,168
Reinsurance balance payable		1,200	89
Accrued expenses and other liabilities		(1,262)	21,552
Obligation under Long Term Incentive Plan (LTIP)		3,477	-
Net cash from operating activities		<u>156,711</u>	<u>192,762</u>
INVESTING ACTIVITIES			
Cash and cash equivalents acquired from the Seller	3	-	251,400
Purchase of investments	5	(253,965)	-
Net cash (used in) from investing activities		<u>(253,965)</u>	<u>251,400</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(97,254)</u>	<u>444,162</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>444,162</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u><u>346,908</u></u>	<u><u>444,162</u></u>
MAJOR NON-CASH TRANSACTIONS:			
Assets acquired	3	-	332,400
Liabilities taken over	3	-	601,712


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BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the twelve month period ended 31 December 2010

	Note	Twelve month period ended 31 December	
		2010 (Unaudited) SR'000	2009 (Unaudited) SR'000
OPERATING ACTIVITIES			
Net comprehensive income for the twelve month period		70,798	57,732
Adjustment for:			
Unrealised gain on trading investments	5	(3,427)	-
		67,371	57,732
Changes in assets and liabilities:			
Accrued income		613	42
Accrued expenses and other liabilities		2,538	10,287
Due from insurance operations		2,425	(52,168)
Zakat and income tax paid		(14,866)	-
Net cash from operating activities		58,081	15,893
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(29,284)	(9,911)
Purchase of investments	5	(296,035)	-
Amount paid to related party in respect of goodwill		(28,010)	(49,000)
Amount due to related parties, net		2,799	-
Encashment of time deposits		-	60,589
Purchase of employees' shares	12	(2,709)	-
Net cash (used in) from investing activities		(353,239)	1,678
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(295,158)	17,571
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		308,789	291,218
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	13,631	308,789
MAJOR NON-CASH TRANSACTIONS:			
Assets acquired	3	-	17,912
Goodwill on acquisition	1&3	-	98,000


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

For the twelve month period ended 31 December 2010

		<i>Shares held under employees'</i>				
	<i>Note</i>	<i>Share capital SR'000</i>	<i>share scheme SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2009 (Audited)		400,000	-	9,534	27,819	437,353
Total comprehensive income for the twelve month period ended 31 December 2010		-	-	-	70,798	70,798
Transfer to statutory reserve		-	-	14,160	(14,160)	-
Zakat for the twelve month period ended 31 December 2010	9	-	-	-	(7,985)	(7,985)
Income tax for the twelve month period ended 31 December 2010	9	-	-	-	(4,468)	(4,468)
Shares held under employees' share scheme by the custodian	12	-	(2,709)	-	-	(2,709)
Balance at 31 December 2010 (Unaudited)		400,000	(2,709)	23,694	72,004	492,989

		<i>Share capital SR'000</i>	<i>Share scheme SR'000</i>			
	<i>Note</i>	<i>Share capital SR'000</i>	<i>Share scheme SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2008 (Audited)		400,000	-	-	(10,061)	389,939
Total comprehensive income for the twelve month period ended 31 December 2009		-	-	-	57,732	57,732
Transfer to statutory reserve		-	-	9,534	(9,534)	-
Zakat for the twelve month period ended 31 December 2009	9	-	-	-	(5,838)	(5,838)
Income tax for the twelve month period ended 31 December 2009	9	-	-	-	(4,480)	(4,480)
Balance at 31 December 2009 (Audited)		400,000	-	9,534	27,819	437,353

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The accompanying notes 1 to 13 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 31 December 2010

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Bupa Arabia For Cooperative Insurance Company (“the Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 138/K dated 24 Rabi Thani 1429 H (corresponding to 1 May 2008). The 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 objective of the Company is to transact cooperative insurance operations and related services in accordance with its Articles of Association, and applicable regulations in the Kingdom of Saudi Arabia. The Company underwrites medical insurance only.

On 31 December 2008, the Company entered into an agreement with Bupa Middle East Limited E.C. (the Seller) pursuant to which it acquired the Seller’s insurance operations in the Kingdom of Saudi Arabia, effective from 1 January 2009, at a goodwill amount of SR 98 million, as approved by the Saudi Arabian Monetary Agency (SAMA), along with related insurance assets and liabilities of an equivalent amount (see note 3). 50% of the amount in respect of the goodwill was paid to the seller during 2009. In accordance with the instructions of SAMA, the remaining 50% was to be paid subsequent to 2009, out of the Company’s profits for those years, after obtaining SAMA’s approval. During 2010, the Company paid an additional payment of SR 28,010 thousands, after obtaining approval from SAMA (see note 3(b)).

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

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

Transfer to Shareholders’ operations	90%
Transfer to Policyholders’ payable	10%
	<hr/>
	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.

The Registered Office address of the Company is situated at, Al-Rawdah Street, Al-Khalediyah District, Jeddah (P.O. Box 23807, Jeddah 21436), Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards and are consistent with those used for the preparation of annual financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2010

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

Basis of preparation (continued)

These interim condensed financial statements for the twelve month period ended 31 December 2010 ('the period') should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2009. In the opinion of management, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

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

Investments

Investments are classified as fair value through statement of income (FVIS), if the fair value of the investment can be reliably measured and the classification as FVIS is as per the documented strategy of the Company. Investments classified as FVIS are initially recognised at cost, being the fair value of the consideration given. Subsequently such investments are remeasured at fair value with all changes in fair value being recorded in the interim statement of insurance operations and accumulated surplus and statement of shareholders' operations.

Obligation under the Long Term Incentive Plan

The Company accounts for a Long Term Incentive Plan ("LTIP"), under IAS 19-Employee Benefits, as the final benefit at the vesting date may or may not be in the form of Company shares, or equivalent market value, depending on the annual election made by the employees who are members of the LTIP (see note 12).

Annually the obligation under the LTIP is reassessed, to account for the maximum obligation of the Company based on the annual election made by the employees on the LTIP, up to the reporting date. The LTIP balance is presented in the statement of financial position.

Should, in the last annual election, some, or all, of the employees on the LTIP have not opted for the purchase of shares, then the liability reserve under the LTIP is based on a fixed percentage of the relevant employees' salaries and interest thereon and is accrued uniformly over the vesting period.

Should, in the last annual election, some, or all, of the employees on the LTIP have opted for the purchase of shares, such shares are purchased by a custodian, on the instruction of the Company, and the liability at the reporting date is calculated based on fair value of those shares at the reporting date, to the extent that the vesting period has been completed by the employees on the LTIP.

Shares held under the employees' share scheme

Certain of the Company's own shares are held by a custodian under the terms of the employees' Long Term Incentive Plan ("LTIP"). Such shares may or may not vest to the employees at the vesting date (see note 12). The value of the shares held by the custodian are accounted for at cost and are deducted from the equity of the Company. Any consideration paid or received, on the purchase, sale, or issue of the Company's own equity instruments is recognized directly in equity. No gain or loss is recognized in the interim statement of shareholders' operations on the purchase, sale or issue of own equity instruments.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2010

3 TRANSFER OF PORTFOLIO

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

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

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

	<i>Twelve month period ended 31 December 2010 (Unaudited) SR'000</i>	<i>31 December 2009 (Audited) SR'000</i>
Balance as at the beginning of the period/year	49,000	-
Value of goodwill	-	98,000
Paid during the period/year (note 1)	(28,010)	(49,000)
Balance at the end of the period/year	20,990	49,000

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 31 December 2010

4 CASH AND CASH EQUIVALENTS

	<i>31 December 2010 (Unaudited) SR'000</i>	<i>31 December 2009 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in bank	121,763	190,662
Short-term deposits	225,145	253,500
	<u>346,908</u>	<u>444,162</u>
<i>Shareholders' Operations</i>		
Cash in bank	13,631	13,615
Short-term deposits	-	295,174
	<u>13,631</u>	<u>308,789</u>

At 31 December 2010, bank balances, relating to insurance operations, amounting to SR 8.6 million (2009: SR 190.4 million) are held in the name of a related party of the Company, on behalf of the Company.

5 INVESTMENTS

The carrying amount of the investments, classified as FVIS, at 31 December 2010 was as follows:

	<i>31 December 2010 (Unaudited) SR'000</i>	<i>31 December 2009 (Audited) SR'000</i>
<i>Units in open ended mutual fund</i>		
Insurance operations	257,178	-
Shareholders' operations	299,462	-
	<u>556,640</u>	<u>-</u>

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

The movement in the investments during the twelve month period ended 31 December 2010 and 2009 is as follows:

	<i>31 December 2010 (Unaudited) SR'000</i>	<i>31 December 2009 (Audited) SR'000</i>
<i>Insurance operations</i>		
Purchased during the period/year	253,965	-
Unrealised gain during the period/year	3,213	-
	<u>257,178</u>	<u>-</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2010

5 INVESTMENTS (continued)

	31 December 2010 (Unaudited) SR'000	31 December 2009 (Audited) SR'000
<i>Shareholders' operations</i>		
Purchased during the period/year	296,035	-
Unrealised gain during the period/year	3,427	-
Balance at end of the period/year	299,462	-

6 STATUTORY DEPOSIT

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 SAMA.

7 NET CLAIMS INCURRED

	Three month period ended 31 December		Twelve month period ended 31 December	
	2010 (Unaudited) SR'000	2009 (Unaudited) SR'000	2010 (Unaudited) SR'000	2009 (Unaudited) SR'000
<i>Insurance Operations</i>				
Gross claims paid	301,975	271,474	1,232,218	889,057
Less: Reinsurance recoveries	(1,235)	-	(1,235)	-
Outstanding claims at the end of the period	352,379	275,259	352,379	275,259
Outstanding claims at the beginning of the period	653,119	546,733	1,583,362	1,164,316
	(296,558)	(274,623)	(275,259)	(190,894)
	356,561	272,110	1,308,103	973,422

With effect from 15 December 2009, the Company has entered into an excess of loss (XOL) reinsurance contract with its reinsurers. As at the date of statement of financial position, apart from the claims reported above, all the outstanding claims which are covered by XOL reinsurance, are lower than the XOL limit.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 31 December 2010

8 TRANSACTIONS WITH RELATED PARTIES

The following are the details of major related party transaction during the twelve month period ended 31 December 2010 and the related balance at the period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>SR'000</i>	<i>SR'000</i>
		<i>Twelve month period ended 31 December 2010</i>	<i>Twelve month period ended 31 December 2009</i>
Shareholders' Operations			
Bupa Middle East Limited E.C. (Affiliate)	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)	28,010	49,000
	Payments made on behalf of the Affiliate and recharged to the Affiliate	-	1,615
ASAS Health Care Company Limited (ASAS – Affiliate)	Payments made on behalf of the Company and recharged to the Company	513	1,831

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>SR'000</i>	<i>SR'000</i>
		<i>Twelve month period ended 31 December 2010</i>	<i>Twelve month period ended 31 December 2009</i>
Insurance Operations			
Related parties	Premiums written	27,829	10,185
	Claims paid	10,309	8,762
	Provider claims paid	65,461	27,804
	Trade mark fee payable (note 11)	2,818	-
Key management personnel	Short term benefits	8,881	8,331
	Long term benefits	308	430

Amount due to the related parties, net is disclosed in the interim statement of financial position. Premiums receivable, net include premiums receivable from related parties amounting to SR 2,559 thousands (2009: nil).

Note 12 explains the remuneration of certain key employees under the share based payment scheme.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2010

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 and comprises the following:

	<i>Zakat</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Income</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>Total</i> <i>31 December</i> <i>2010</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2009</i> <i>(Audited)</i> <i>SR'000</i>
At the beginning of the period/year	5,838	4,480	10,318	-
Provided during the period/year	7,985	4,468	12,453	10,318
Payments during the period/year	(6,506)	(8,360)	(14,866)	-
Balance at end of the period/year	<u>7,317</u>	<u>588</u>	<u>7,905</u>	<u>10,318</u>

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.

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.

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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 twelve month period ended 31 December 2010</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	934,666	814,724	1,749,390
Premiums ceded	(1,699)	(1,481)	(3,180)
Net written premiums	932,967	813,243	1,746,210
Movement in net unearned premiums	(66,952)	(70,350)	(137,302)
Net earned premiums	866,015	742,893	1,608,908
Net claims incurred	(752,391)	(555,712)	(1,308,103)
Unallocated income	-	-	4,201
Unallocated expenses	-	-	(223,888)
Surplus from insurance operations			81,118

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

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10 SEASONALITY AND SEGMENT INFORMATION (continued)

	<i>For the twelve month period ended 31 December 2009</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	659,622	687,715	1,347,337
Premiums ceded	(44)	(45)	(89)
Net written premiums	659,578	687,670	1,347,248
Movement in net unearned premiums	(38,397)	(103,500)	(141,897)
Net earned premiums	621,181	584,170	1,205,351
Net claims incurred	(544,813)	(428,609)	(973,422)
Unallocated income	-	-	2,666
Unallocated expenses	-	-	(175,073)
Surplus from insurance operations			59,522

	<i>As at 31 December 2009</i>		
	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

11 TRADE MARK FEE

During the twelve month period ended 31 December 2010, the Company has entered into an agreement with a related party for obtaining a license to use the Trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement, the Company is required to pay a lump sum of SR 1,205 thousand and an amount equal to a fixed percentage of gross earned premium thereafter, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. Accordingly, a sum of SR 2,818 thousand, including the lump sum amount referred above, payable to a related party has been provided for the twelve month period ended 31 December 2010.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2010

12 SHARES HELD UNDER EMPLOYEES SHARE SCHEME

During 2010, the Company introduced a Long Term Incentive Plan (LTIP), for its senior executives, which is designed to reward them for their role in the achievement of the Company's long term objectives. The vesting conditions include minimum service period, annual performance ratings up to a certain specified level, and achievements of the specified profit targets of the Company for the minimum service period.

Under the terms of the LTIP, a reserve, representing a fixed percentage of entitled employees' salaries and accumulated interest thereon, is required to be maintained by the Company annually, over the three year period.

The employees on the LTIP have an annual option to request the Company to request the custodian to purchase the Company's own shares from the accumulated balance in the reserve. The purchase of such shares is funded by the Company by utilising the accumulated balance in the reserve, and the shares are purchased by the custodian appointed by the Company for this purpose. After the date of purchase, the employees under the LTIP carry the market price risk associated with those shares, and their entitlement under the plan would not be higher than the fair market value of those shares if the employees opt to continue to keep the shares until the vesting date.

In the subsequent years of the LTIP, the relevant employees can again opt (annually) to convert these shares back into cash at the fair market value of those shares at that date. The cash thus realised will be credited to the employees' LTIP reserve, which will then be built up with a fixed percentage of the employees' salaries and interest thereon as per the terms of the LTIP for the remaining vesting period. Such reserve can again be converted into shares depending upon whether the employees still have an annual option remaining with them before the vesting date.

Depending on the election made by the employees, they are entitled to get any one of the following benefits at the end of the vesting period:

- cash amount equivalent to amount accumulated in the reserve based on fixed percentage of salaries and accumulated interest thereon, or
- a specified number of shares, purchased by the custodian and held, per the employees' instructions, until the vesting date, or
- cash amount equivalent to the fair market value (as at the vesting date) of the shares held by the custodian, on behalf of the Company for the employees, as per the employees' instructions up to the vesting date.

As at 31 December 2010, the number of shares purchased under the LTIP, per the election of the entitled employees, amounted to 141 thousands (purchase value SR 2,709 thousands), and a liability based on the fair market value of these shares, as at 31 December 2010, has been recorded by the Company, to the extent the vesting period has been completed by the LTIP members, as of 31 December 2010.

In addition, an amount of SR 768 thousands has been accrued by the Company representing the fixed percentage of entitled employees' salaries and interest thereon, for which the entitled employees have not yet made the election to purchase the Company's shares.

During the year, an amount of SR 3,477 thousands has been charged to the statement of insurance operations under the above plan.

13 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 18 January 2011.