

PROSPECTUS



Offer of 16,000,000 shares representing 40% of the Share Capital of BUPA Arabia through an Initial Public Offering at an Offer Price of SAR 10 per share

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY

A Saudi Joint Stock Company under formation in accordance with Ministerial Resolution No. 279 dated 28/8/1428H (corresponding to 10/9/2007G) and in accordance with Royal Decree No. M/74 dated 29/8/1428H (corresponding to 11/9/2007G) Offering Period: 30/2/1429H to 7/3/1429H (corresponding to 8/3/2008G to 15/3/2008G)

BUPA Arabia For Cooperative Insurance Company (hereinafter referred to as "BUPA Arabia" or the "Company") is a Saudi joint stock company under formation in accordance with Ministerial Resolution No. 279 dated 28/8/1428H (corresponding to 10/9/2007G) and in accordance with Royal Decree No. M/74 dated 29/8/1428H (corresponding to 11/9/2007G). The share capital of the Company is SAR 400 million consisting of 40 million shares with a nominal value of SAR 10 each (the "Shares"). Following completion of the Offering and the conclusion of the Constituent Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the incorporation of the Company. The Company will be considered duly incorporated as a joint stock company from the date of issuance of the Resolution of the Minister of Commerce and Industry declaring its incorporation.

The Initial Public Offering (the "Offering") of sixteen million (16,000,000) ordinary shares (the "Offer Shares"), with a nominal value of Saudi Riyals 10 each, representing forty percent (40%) of the share capital of the Company is directed at and may be accepted by individuals having Saudi Arabian nationality. A divorced or widowed Saudi female with children from a non-Saudi husband can also subscribe on behalf of her children to the benefit of her account, provided that she presents sufficient supporting documents proving her marital status and her custody of the children. The net proceeds from the Offering, after deducting the Offering expenses and pre-operating expenses (the "Net Proceeds") in addition to founding shareholders contribution will be used to finance the operations and investments of the Company, being mainly the acquisition of BUPA Middle East Limited E.C. ("BME"), a joint stock company incorporated in Bahrain and thereafter its Saudi insurance portfolio. (see "Use of Proceeds" section).

Prior to the Offering, the founding shareholders whose names appear on page 16 (referred to collectively hereinafter as the "Founding Shareholders") subscribed and paid for twenty four million (24,000,000) ordinary shares representing sixty percent (60%) of the share capital of the Company. The Founding Shareholders will consequently retain a controlling interest in the Company. The Offering is fully underwritten.

The Offering will commence on 30/2/1429H (corresponding to 8/3/2008G) and will remain open for a period of 8 days up to and including 7/3/1429H (corresponding to 15/3/2008G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of each of the selling agents (the "Selling Agents") during the Offering Period (see "Subscription Terms and Conditions" section).

Each individual subscriber to the Offer Shares (the "Subscriber" and collectively referred to as the "Subscribers") must apply for a minimum of (50) Offer Shares and a maximum of (100,000) Offer Shares. Each Subscriber will be allocated a minimum of (50) Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of (50) Offer Shares in the event that the number of Subscribers exceeds (320,000) subscribers. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA. Excess subscription monies, if any, will be returned to Subscribers without any charge or withholding by the relevant Selling Agent. Notification of the final allotment and refund of subscription monies, if any, will be made by 12/3/1429H (corresponding to 20/3/2008G) (see "Subscription Terms and Conditions" section).

The Company has one class of shares (including Founding Shareholders' shares and Offer Shares) and no shareholder benefits from preferential voting rights. Each Share entitles the holder to one vote and each shareholder (the "Shareholder") with at least 20 Shares has the right to attend and vote at the general assembly meeting (the "General Assembly Meeting"). The Offer Shares will be entitled to receive any dividends declared by the Company after the Offering period and its incorporation and for subsequent fiscal years (see "Dividend Policy" section).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the Capital Market Authority ("CMA" or the "Authority") for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares and the issuance of the Ministerial Resolution announcing the formation of the Company (See "Key Dates for Investors" section). Subsequent to Shares commencing trading, Saudi nationals, nationals of the GCC countries, companies, banks and funds, as well as individuals having an Iqama (resident permit) in Saudi Arabia will be permitted to trade in the Shares.

The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Financial Adviser, Lead Manager and Sole Underwriter

HSBC

Selling Agents



This Prospectus includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia ("CMA" or the "Authority"). The directors, whose names appear on page iv collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 11/2/1429H (corresponding to 18/2/2008G)

Important Notice

This Prospectus provides full details of information relating to BUPA Arabia and the Shares being offered. In applying for the Offer Shares, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Company or the Saudi British Bank (“SABB”) or the Selling Agents or by visiting SABB’s website at www.sabb.com, the Company’s website at www.bupa.com.sa or the CMA’s website at www.cma.org.sa.

HSBC Saudi Arabia Limited has been appointed by the Company to act as Financial Advisor, Lead Manager and Sole Underwriter and SABB has been appointed by the Company to act as Lead Selling Agent in relation to the Offer Shares described in this Prospectus.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The proposed Directors, whose names appear on page iv, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither HSBC nor the Company’s advisors has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future profits, results or events.

The Prospectus is not to be regarded as a recommendation on the part of BUPA Arabia, the Founding Shareholders or any of their directors or advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

Subscription in the Offer shares is directed at and may be accepted by 1) individuals of Saudi nationality and 2) Saudi female divorcees or widows with minors from a marriage to a non-Saudi, in which case subscriptions on behalf of minors will be allocated to their accounts, provided that sufficient supporting documents proving marital status and custody of their children are presented. The distribution of this Prospectus and the sale of the Offer Shares to any other persons or in any other jurisdiction is expressly prohibited. The Company, Founding Shareholders, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

Industry and Market Data

The information regarding the insurance industry and other data regarding the market segment in this Prospectus have been obtained from different sources. Such information, sources, and estimates are believed to be reliable, and the Company has made a reasonable effort to verify the sources. While neither HSBC nor the Company’s advisors whose names appear on pages vi and vii have any reason to believe that the information on the insurance industry and other data regarding the market segment are materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

These sources include:

The Saudi Arabian Monetary Agency (“SAMA”)

SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1952. The main Functions of SAMA include:

- ▶ Issuing national currency, the Saudi Riyal;
- ▶ Acting as a banker to the government;
- ▶ Supervising commercial banks;
- ▶ Managing the Kingdom’s foreign exchange reserves;
- ▶ Conducting monetary policy to promote price and exchange rate stability;
- ▶ Promoting growth and ensuring the soundness of the financial system.

SAMA



P.O. Box 2992
Riyadh 11169
Kingdom of Saudi Arabia
Tel: +966 1 463 3000
Fax: +966 1 466 2966
www.sama.gov.sa

Business Monitor International (“BMI”)

Established in 1984, BMI publishes reports and economic surveys on various subjects including political risks, financing, economic analysis and forecasts.

BMI



Mermaid House
2 Puddle Dock Blackfriars
London EC4V 3DS
United Kingdom
Tel: +44 20 7248 0468
Fax: +44 20 7248 0467
www.businessmonitor.com

Swiss Reinsurance Company (“Swiss Re”)

Swiss Re is one of the leading companies in the field of reinsurance. It was established in 1863 in Zurich, Switzerland. Swiss Re has a presence in more than 25 countries and publishes a range of reports on insurance markets worldwide. Those reports are publicly available documents and can be found on the internet.

Swiss Re

Swiss Re



Mythenquai 50/60
P.O. Box 8022
Zurich
Switzerland
Tel: +41 43 285 2121
Fax: +41 43 285 2999
www.swissre.com

BMI has given and not withdrawn its consent to the use of its reports in the Prospectus as of the date of the Prospectus. The information obtained from SAMA and Swiss Re is publicly available and therefore consent to use their reports in the Prospectus has not been sought.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions made and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute “forward-looking-statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “expected”, “would be” or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see “*Risk Factors*” section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, BUPA Arabia must submit a supplementary prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, BUPA Arabia becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, BUPA Arabia does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Proposed Board of Directors

Name	Position	Representing	Nationality	Age	Direct Shareholding in the Company ¹	Independent	Executive
Eng. Loay Hisham Nazer	Chairman	Nazer Group Holding Co. Ltd	Saudi	42	None (represented shareholder owns 5%)	No	No
Tal Hisham Nazer	Managing Director	Nazer Group Holding Co. Ltd	Saudi	33	None (represented shareholder owns 5%)	No	Yes
Benjamin David Jemphrey Kent	Director	BUPA Investments Overseas	British	42	None (represented shareholder owns 15%)	No	No
Dr. Damien Vincent Marmion	Director	BUPA Investments Overseas	British	41	None (represented shareholder owns 15%)	No	No
William Stephen Ward	Director	BUPA Investments Overseas	British	46	None (represented shareholder owns 15%)	No	No
Aamer Abdullah Alireza	Director	Public	Saudi	37	None	Yes	No
Eng. Zuhair Hamed Fayez	Director	Public	Saudi	65	None	Yes	No
To be appointed in the Constituent General Assembly	Director	Public	Saudi	-	None	Yes	No

Source: BUPA Arabia

Issuer's Registered Office and Representatives



BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY

P.O. Box 23807

Jeddah 21436

Kingdom of Saudi Arabia

Tel: +966 (2) 663 6936

Fax: +966 (2) 663 3636

www.bupa.com.sa

¹ For detailed ownership structure of the Company and direct and indirect shareholdings, please refer to the "Company" section of the Prospectus

Company's Representative

Tal Hisham Nazer
P.O. Box 23807
Jeddah 21436
Kingdom of Saudi Arabia
Tel: +966 (2) 663 6936
Fax: +966 (2) 663 3636

Board of Directors' Secretary

Mark Lance Sutcliffe
P.O. Box 23807
Jeddah 21436
Kingdom of Saudi Arabia
Tel: +966 (2) 663 6936
Fax: +966 (2) 663 3636

Investor Relations Representative

Fadi Mohideen Diab
P.O. Box 23807
Jeddah 21436
Kingdom of Saudi Arabia
Tel: +966 (2) 663 6936
Fax: +966 (2) 663 3636

Issuer's Main Bank as of the Date of the Prospectus

SABB  ساب

The Saudi British Bank

Prince Abdulaziz bin Musa'ed bin Jaway Street
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660
www.sabb.com.sa

Share Registrar



Tadawul

Abraj Attuwenya
700 King Fahad Road
P.O. Box 60612
Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966 (1) 218 1200
Fax: +966 (1) 218 1260
www.tadawul.com.sa

Advisors

Financial Advisor and Lead Manager



HSBC Saudi Arabia Limited

King Abdullah Road
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (1) 470 3128
Fax: +966 (1) 470 6930
www.hsbcSaudi.com

Legal Advisors to the Transaction

WHITE & CASE

Law Office of Mohammed A. Al-Sheikh In Association with White & Case LLP

P.O. Box 17411
Riyadh 11484
Kingdom of Saudi Arabia
Tel +966 (1) 464 4006
Fax +966 (1) 465 1348
www.whitecase.com

Legal Advisors to the Acquisition



Wragge & Co LLP

3 Waterhouse Square
142 Holborn
London EC1N 2SW
United Kingdom
Tel +44 870 903 1000
Fax +44 870 904 1099
www.wragge.com

Independent Accountants



Ernst & Young

4th Floor, Flour Building
P.O. Box 3795
Al-Khobar 31952
Kingdom of Saudi Arabia
Tel: +966 (3) 882 5414
Fax: +966 (3) 882 7224
www.ey.com

Deloitte.

Deloitte & Touche Bakr Abulkhair & Co

PO Box 213
Riyadh11411
Kingdom of Saudi Arabia
Tel: +966 (1) 463 0018
Fax: +966 (1) 463 0865
www.deloitte.com

Accredited Actuaries



Manar Sigma Financial Actuaries

P.O. Box 341905
Riyadh 11333
Kingdom of Saudi Arabia
Tel: +966 (1) 211 3344
Fax: +966 (1) 211 2423
www.manarsigma.com

Public Relations and Marketing Consultant

Memac Ogilvy

Memac Ogilvy

9th Floor, Office No. 901 - 6

Suhaily Business Center

P.O. Box 7868

Jeddah 21472

Kingdom of Saudi Arabia

Tel: +966 (2) 651 0704

Fax : +966 (2) 653 3800

www.memacogilvy.com

Notice:

The above advisors have given and not withdrawn their written consent to the publication of their names in the Prospectus and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

Sole Underwriter



HSBC Saudi Arabia Limited

King Abdullah Road
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (1) 470 3128
Fax: +966 (1) 470 6930
www.hsbcSaudi.com

Selling Agents



The Saudi British Bank

Prince Abdulaziz bin Musa'ed bin Jlawy Street
P.O. Box 9084
Riyadh 11413
Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660
www.sabb.com.sa



The National Commercial Bank

King Abdulaziz Road
P.O. Box 3555
Jeddah 21481
Saudi Arabia
Tel: +966 (2) 649 3333
Fax: +966 (2) 643 7426
www.alahli.com.sa



Arab National Bank

King Faisal Street
P. O. Box 9802
Riyadh 11423
Saudi Arabia
Tel: +966 (1) 402 9000
Fax: +966 (1) 402 7747
www.anb.com.sa



Riyad Bank

King Abdulaziz Road
P.O. Box 22622
Riyadh 11614
Saudi Arabia
Tel: +966 (1) 401 3030
Fax: +966 (1) 404 2618
www.riyadbank.com



Samba Financial Group

King Abdulaziz Road
P.O. Box 833
Riyadh 11421
Saudi Arabia
Tel: +966 (1) 477 4770
Fax: +966 (1) 479 9402
www.samba.com.sa

The Offering

The Company	BUPA Arabia for Cooperative Insurance Co (hereinafter referred to as "BUPA Arabia" or the "Company") is a Saudi joint stock company under formation in accordance with Ministerial Resolution No. 279 dated 28/8/1428H (corresponding to 10/9/2007G) and Royal Decree No. M/74 dated 29/8/1428H (corresponding to 11/9/2007G) approving the incorporation of the Company in accordance with Companies Regulations issued by the Royal Decree No. M/6 dated 22/3/1385H, Cooperative Insurance Companies Control Law issued by the Royal Decree No. 32 dated 2/6/1424H and its Implementing Regulations issued by the Ministerial Resolution No. 596/1 dated 1/3/1425H.
Incorporation of Company	Following completion of the Offering and the conclusion of the Constituent Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the incorporation of the Company. The Company will be considered duly incorporated as a joint stock company from the date of issuance of the Resolution of the Minister of Commerce and Industry declaring its incorporation.
The Company Activities	The Company will transact cooperative insurance operations and medical, health, care and related activities provided that such activities are in accordance with the provisions of the Control of Cooperative Insurance Companies Regulation and its Implementing Rules, as may be amended from time to time, and such other laws and regulations in force in the Kingdom of Saudi Arabia. The Company is obliged, after the issuance of the Commercial Registration, to obtain the necessary licence from the Saudi Arabian Monetary Agency for the insurance activities in which it will be engaged (see "Products and Services" section). The Company shall transact these operations and activities by first acquiring BUPA Middle East Limited E.C. and thereafter transferring its insurance portfolio to the Company.
Capital of the Company	SAR 400,000,000.
Offer Price	SAR 10 per share.
Number of issued Shares	40,000,000 fully paid ordinary shares.
Number of Offer Shares	16,000,000 fully paid ordinary shares.
Percentage of Offer Shares	The Offer Shares represent 40% of the Company's issued share capital.
Nominal Value	SAR 10 per share.
Total value of Offer Shares	SAR 160,000,000.
Minimum number of Offer Shares to be applied for	50 shares.
Minimum subscription amount	SAR 500.
Maximum number of Offer Shares to be applied for	100,000 shares.
Maximum subscription amount	SAR 1,000,000.

Use of Proceeds	<p>The net proceeds from the Offering, after deducting the Offering expenses and pre-operating expenses in addition to Founding Shareholders contribution will be used to finance the operations and investments of the Company, being mainly the acquisition of BME and thereafter its Saudi insurance portfolio (“the Acquisition”), please refer to “<i>the Acquisition</i>” section of the Prospectus. Thereafter the funds will be used to develop the insurance business whilst ensuring the Company maintains the minimum required solvency levels, and also the minimum adequacy level of the paid up capital, as prescribed by the Implementing Regulations of the Cooperative Insurance Companies Control Law. Please refer to “<i>Use of Proceeds</i>” section.</p>
Allocation of Offer Shares	<p>Allocation of the Offer Shares is expected to be completed on or around 12/3/1429H (corresponding to 20/3/2008G). Each investor will be allocated a minimum of 50 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 50 Offer Shares in the event that the number of Subscribers exceeds 320,000. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA. (Please refer to section “<i>Subscription Terms and Conditions</i>” – <i>Allocation and Refunds</i>).</p>
Excess of Subscription Monies	<p>Excess of subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager and the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made no later than 12/3/1429H (corresponding to 20/3/2008G). (See “<i>Subscription Terms and Conditions</i>” – <i>Allocation and Refunds</i> section).</p>
Offering Period	<p>The Offer will commence on 30/2/1429H (corresponding to 8/3/2008G) and will remain open for a period of 8 days up to and including 7/3/1429H (corresponding to 15/3/2008G).</p>
Dividends	<p>The Offer Shares will be entitled to receive any dividends declared by the Company after the Offering period and its incorporation and for subsequent fiscal years. For a discussion of the Company’s dividend policy, see “<i>Dividend Policy</i>” section.</p>
Voting Rights	<p>The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. Please refer to “<i>Summary of the Company’s Bylaws</i>” and “<i>Voting Rights</i>” for more details.</p>
Share Restrictions	<p>The Founding Shareholders may not dispose of any Shares for three years, (being not less than 12 months each) from the date of the incorporation of the Company (“<i>Lock-in Period</i>”). Once the Lock-in Period has elapsed, the Founding Shareholders may dispose of their Shares after obtaining the required CMA and SAMA approvals. The Company shall notify SAMA of shareholder’s ownership in excess of 5% and any changes to such ownership thereafter.</p>

Listing of Shares

There has been no public market for the Shares in Saudi Arabia or elsewhere prior to the Offering. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares and the issuance of the Ministerial Resolution announcing the formation of the Company (See “*Key Dates for Subscribers*” section).

Risk Factors

There are certain risks relating to an investment in this Offering. These risks can be classified as follows: (a) Risks Relating to the Company’s Operations, (b) Risks Relating to the Market and Regulatory Environment, (c) Risks Relating to Ordinary Shares. These risks have been analysed in the “*Risk Factors*” section of this Prospectus, and should be considered carefully prior to making a decision to invest in the Offer Shares.

Key Dates for Subscribers

Expected Offering Timetable	
Offering period	30/2/1429H (corresponding to 8/3/2008G to 7/3/1429H (corresponding to 15/3/2008G)
Last date for submission of application form and subscription monies	7/3/1429H (corresponding to 15/3/2008G)
Notification of final allotment and refund of funds (in the event of over-subscription)	12/3/1429H (corresponding to 20/3/2008G)
Refund of funds (in case any)	12/3/1429H (corresponding to 20/3/2008G)
Start date of trading of Offer Shares	Upon completion of all relevant procedures

The above timetable and dates therein are indicative. Actual dates will be communicated through national press announcements.

How to Apply

Subscription in the Offer shares is directed at and may be accepted by 1) individuals of Saudi nationality and 2) Saudi female divorcees or widows with minors from a marriage to a non-Saudi, in which case subscriptions on behalf of minors will be allocated to their accounts, provided that sufficient supporting documents proving marital status and custody of their children are presented. Subscription Application Forms ("Forms") will be available during the Offering period only at the branches of the Lead Manager and the Selling Agents. Other subscription channels will include the internet, telephone banking and Automated Teller Machines ("ATMs") and will be offered by the Selling Agents that provide one or more of these subscription channels. Such services will be available to subscribers provided they have participated in one of the latest initial public offerings and 1) have a bank account with one of the Selling Agents and 2) the subscriber's information has not been changed.

The Forms must be completed in accordance with the instructions described in the "*Subscription Terms and Conditions*" section of this Prospectus. Each Subscriber must agree to and complete all relevant sections of the Form. The Company reserves the right to decline any Subscription Form, in part or in whole, in the event that any of the subscription terms and conditions are not met. Amendments to and withdrawal of the Subscription Form shall not be permitted once the Subscription Form has been submitted. Furthermore, the Subscription Form shall, upon submission, represent a binding agreement between the Subscriber and the Company (See "*Subscription Terms and Conditions*" section).

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the “Definitions and Abbreviations” section and elsewhere in this Prospectus.

The Company

BUPA Arabia is a Saudi joint stock company under formation in accordance with Ministerial Resolution No.279 dated 28/8/1428H (corresponding to 10/9/2007G) and in accordance with Royal Decree No. M/74 dated 29/8/1428H (corresponding to 11/9/2007G). The Company’s registered office is located in the city of Jeddah, Kingdom of Saudi Arabia.

The Company’s paid up capital is SAR 400 million divided into 40 million shares with a nominal value of SAR 10 per share. The Founding Shareholders have subscribed for 24 million shares with a total paid up value of SAR 240 million, which represents 60% of the Company’s share capital. Founding Shareholders subscriptions have been deposited into the Company’s bank account at the Saudi British Bank (SABB). The remaining 16 million shares, with a total value of SAR 160 million are being offered to the public as the Offer Shares.

Following completion of the Offering and the conclusion of the Constituent Assembly, an application will be submitted to the Minister of Commerce and Industry requesting him to announce the incorporation of the Company. The Company will be considered duly incorporated as a joint stock company from the date of issuance of the Resolution of the Minister of Commerce and Industry declaring its incorporation.

Following the formation of the Company, the Company shall submit an application to SAMA to commence its insurance business in the Kingdom and shall take all necessary steps to obtain the consents required for and otherwise to complete the Acquisition (at a valuation agreed to by relevant regulatory bodies and the shareholders of BME). Thereafter, the Company will acquire BME together with its Saudi insurance portfolio and operations at the earliest opportunity. For more information on the proposed Acquisition, please refer to the “Acquisition” section of the Prospectus.

Business Strategy

After completing the Acquisition, the Company plans to target the health insurance market in succession to BME and to build on the experience of the business gained whilst operating as BME.

BUPA Arabia will offer a range of medical insurance schemes in accordance with the level of cover mandated by the CCHI and also to meet changing demands in the market. It will enable customers to enhance their cover by selecting from additional benefits.

To achieve planned growth targets, BUPA Arabia will seek to manage its resources efficiently and effectively; invest in technology where necessary; and adopt best practices.

BUPA Arabia aims to become a leading health care company in Saudi Arabia. It will seek to ensure regulatory compliance in its range of medical insurance schemes and to bring customers access, choice and quality service in its provider networks. With continued regulatory expansion of the expatriate insurance market, BUPA Arabia will focus on profitable growth, continually streamlining processes and increasing its operational capacity while striving for continuous improvement in customer attraction and retention.

Company's Vision and Mission

Vision

"To take care of the lives in our hands"

Mission

"To help people live longer, healthier, and more productive lives"

Competitive Advantages

On completion of the Acquisition, the Company will have a number of strong attributes, which the key management expects to translate into sustainable competitive advantages and superior profitability relative to its competitors in the health insurance market, including:

- ▶ Experienced Management Team and Staff;
- ▶ Fully Integrated Information Technology System;
- ▶ International Health Care Experience;
- ▶ Specialization in Private Medical Insurance ("PMI");
- ▶ Renowned Founders;
- ▶ Established Client Base and Market Share;
- ▶ Strong Relationships with Health Care Providers;
- ▶ Customer Service Culture.

For discussion of the Company's competitive advantages, please refer to "Competitive Advantages" section of the Prospectus.

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1 Definitions and Abbreviations

Term	Definition
Acquisition	The acquisition of BME by the Company as described in the “Acquisition” section of this Prospectus and otherwise on terms acceptable to the Company and to the shareholders of BME, which is subject to obtaining the necessary regulatory and other consents.
Advisors	The Company’s advisors with respect to the Offering whose names appear on pages vi and vii.
ASAS	ASAS Health Care Co Ltd.
BIOL	BUPA Investments Overseas Limited, a company incorporated in England and Wales which is a wholly owned subsidiary of BUPA Fin.
BME	BUPA Middle East Limited E.C, a company incorporated in Bahrain in 1997.
BMEH	BUPA Middle East Holdings W.L.L, a company incorporated in Bahrain in 2005.
BUPA	The British United Provident Association Limited, a private company limited by guarantee without share capital and incorporated in England and Wales with no shareholders.
BUPA Arabia, or the Company	The Saudi joint stock company under formation with that name.
BUPA Fin	BUPA Finance PLC, a company incorporated in England and Wales which is a wholly owned subsidiary of BUPA.
BUPA Group	BUPA and its subsidiaries.
Bylaws	The Company’s approved Bylaws.
CCHI	The Council of Cooperative Health Insurance established under the Cooperative Health Insurance Law promulgated under Royal Decree No. M/10 dated 1/5/1420 H. (August 13, 1999).
CMA or the «Authority»	The Capital Market Authority of the Kingdom of Saudi Arabia.
Companies Regulations	The Companies Regulations, issued under the Royal Decree Number (M/6), dated 22/3/1385H, as amended.
Constituent Assembly Meeting	The meeting convened in accordance with Article 61 of the Companies regulations, as further described in section 13.8 of this Prospectus.
Directors or Board of Directors	The Company’s directors proposed to be appointed at the Constituent Assembly Meeting whose names are set out in the “Corporate Structure” section of the Prospectus.
Exchange	The Saudi Stock Exchange
Financial Advisor and Lead Manager	HSBC Saudi Arabia Limited, appointed by the Company to act as the Financial Advisor and Lead Manager in connection with the Offering.
GCC	Gulf Cooperation Council.
GDP	Gross Domestic Product.
Government	Government of Saudi Arabia.
HSBC	HSBC Saudi Arabia Limited.
HSBC Group	HSBC Holdings PLC and its subsidiaries.
Insurance	Mechanism of contractually shifting burdens of pure risk by pooling them.

Term	Definition
Insurance Law	Laws on Supervision of Co-operative Insurance Companies promulgated by Royal Decree No. (M/32) dated 2/6/1424H (corresponding to 31/7/2003G).
Insurance Policy	Legal document/contract issued to the insured by the insurer setting out the terms of the contract to indemnify the insured for loss and damages covered by the policy against a premium paid by the insured.
Implementing Regulations	Implementing regulations provisions of the Laws on Supervision of Co-operative Insurance Companies Promulgated by Royal Decree No. (M/32) dated 2/6/1424H (corresponding to 31/7/2003G).
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G).
Management	The management of BUPA Arabia.
MoCI	Ministry of Commerce and Industry.
NCCI	The National Company for Cooperative Insurance.
Offering or IPO	The initial public offering of 16,000,000 ordinary shares representing 40% of the share capital of BUPA Arabia.
Offering Period	The period starting from 30/2/1429H (corresponding to 8/3/2008G) to 7/3/1429H (corresponding to 15/3/2008G).
Offer Price	SAR 10 per share.
Offer Shares	16,000,000 ordinary shares of BUPA Arabia.
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules.
Person	A natural or legal person.
Prospectus	This document prepared by the Company in relation to the Offering.
SABB	The Saudi British Bank
SAGIA	Saudi Arabian General Investment Agency
SAMA	Saudi Arabian Monetary Agency.
SAR	Saudi Arabian Riyal.
Saudi Arabia, Kingdom or KSA	Kingdom of Saudi Arabia.
Selling Agents	SABB, SAMBA Financial Group, Arab National Bank, Riyadh Bank, and National Commercial Bank.
Shareholders	The holders of the Shares as of any particular time.
Shares	40,000,000 fully paid ordinary shares of the Company with a nominal value of SAR 10 each.
Subscriber	Each Person subscribing for the Offer Shares.
Subscription Application Form	Application form to subscribe to the Offer Shares.
Tadawul	Automated system for trading of Saudi shares.
Underwriter or Sole Underwriter	HSBC, appointed by the Company to act as the sole underwriter in connection with the Offering.

2 Risk Factors

In considering an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below. BUPA Arabia's business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks, which the Company's key management currently believes to be material, or any other risks that the key management has not identified or that it currently considers not to be material, actually occur or become material risks. The trading price of the Company's Offer Shares could decrease due to any of these risks, and prospective investors may lose all or part of their investment.

2-1 Risks Relating to the Company's Operations

2-1-1 Acquisition of BME and its Insurance Portfolio

Following the completion of the incorporation formalities of the Company, the Company shall proceed at the earliest practical opportunity with the acquisition ("the Acquisition") of BME, a Bahraini company. BME's business consists of insurance premiums and health care insurance policies issued in the Kingdom of Saudi Arabia. Immediately after the Acquisition, the Company will continue that business in succession to BME (including all obligations arising from BME's business).

BME's insurance portfolio will be valued in line with SAMA's guidelines. That includes appointing Manar Sigma Financial Services as independent actuaries to ensure the adequacy of reserves; Ernst & Young as independent accountants to conduct the financial due diligence; and Deloitte & Touche as independent accountants to issue the estimated BME value using the SAMA template², the findings from Ernst & Young and Manar Sigma Financial Services.

As referred to in paragraph 2-1-2 below, completion of the Acquisition will inter alia require the consent of SAMA in accordance with Insurance Law as well as the consent of the insurance regulator in Bahrain. While the Company will seek the relevant consents at the earliest opportunity there can be no guarantee as to when the Acquisition can be completed or when the Company will be able to start its insurance operations in succession to BME. In particular, since the final valuation of BME and its portfolio has not yet been approved by SAMA, there can be no guarantee that the Company will have sufficient capital to complete the Acquisition and remain within the solvency and capital requirements of Insurance Law. If this were not the case, the Company may be forced to increase its share capital which may have an adverse effect on the market price and liquidity of the Shares.

Based on the instructions issued by SAMA, foreign insurance companies conducting insurance business in Saudi Arabia such as BME are given a grace period expiring in April 2008 to cease their operations and business. Since the Acquisition of BME and its Saudi insurance portfolio is subject to the regulatory approvals of SAMA and the relevant authorities in Bahrain, the timing of the completion of the Acquisition and the earliest date on which the Company will be able to continue BME's insurance business in the Kingdom in succession to BME is not entirely within the Company's control. The ability of the Company to achieve a smooth transfer of BME's insurance portfolio to it will depend in part on the approach of SAMA to the end of the said grace period and to foreign insurance companies in the circumstances of BME. In light of the above, investors should be aware of the risks associated with the Acquisition of BME and the transfer of its insurance portfolio in Saudi Arabia.

2-1-2 Risks Relating to Transferring Business to BUPA Arabia

The Acquisition of BME and the subsequent transfer of its Saudi insurance portfolio will be subject to approvals to be granted by SAMA in the Kingdom of Saudi Arabia, the Central Bank of Bahrain in Bahrain and the general assembly of the Company. The issuance of such approvals is subject to the discretion of the relevant regulatory authorities which have the authority to impose terms and conditions that may not be favourable to the Company.

In addition, the subsequent transfer of BME's business (including its insurance portfolio) to the Company after the Acquisition will be subject to the Company obtaining the necessary licence for its insurance activities from SAMA and may be subject to third party approvals. There is no guarantee that the Company will be able to obtain such approvals.

2-1-3 Risks Relating to BME's Insurance Portfolio

It is envisaged that the Company shall acquire BME with its Saudi insurance portfolio which consists of insurance premiums and health care insurance policies. Health care insurance services generally involve insurance claims with material values and low margin. As such, any increase in the cost of the medical services provided by medical services providers would, in turn, increase the value of the insurance claims. This may potentially affect the profitability of the Company.

² The SAMA pro forma spreadsheet used in the valuation process.

2-1-4 Adequacy of Reserves

The success of the Company depends upon Management's ability to accurately assess the risks associated with the businesses that the Company insures.

After the Company begins to write insurance business and to recognize liabilities for unpaid losses, it expects to establish reserves as balance sheet liabilities. These reserves are expected to represent estimates of amounts needed to pay reported losses and unreported losses and the related loss adjustment expense. Loss reserves do not represent an exact calculation of liability. Rather, loss reserves are estimates of what the Company expects the ultimate settlement and administration of claims will cost. These estimates are based upon actuarial and statistical projections and on the Company's assessment of currently available data, as well as estimates of future trends in claims severity and frequency and other factors. Loss reserve estimates are continually refined as experience develops and claims are reported and settled. Establishing an appropriate level of loss reserves is an inherently uncertain process.

As a result of this uncertainty, it is possible that the Company's reserves at any given time will prove inadequate. If actual claims exceed the Company's reserve for losses and loss expenses, the Company may be required to increase its reserves and hence, the financial condition and results of operations of the Company could be adversely affected.

2-1-5 The Risk of Licence Withdrawal by SAMA

The incorporation of the Company has been approved by Ministerial Resolution No. 279 dated 28/8/1428H (corresponding to 10/9/2007G) and in accordance with Royal Decree No. M/74 dated 29/8/1428H (corresponding to 11/9/2007G). Following the official announcement of its incorporation and the issuance of its commercial registration, the Company will apply for a licence from SAMA to commence its activities based on specific requirements that the Company may have already satisfied or may have to fulfil in the future. If the Company fails to satisfy licensing requirements, it may not be able to obtain a licence from SAMA to commence its activities.

In addition, the Company, when licensed, may be exposed to licence withdrawal by SAMA if it fails to adhere to Article 76 of the Implementing Regulations of the Cooperative Insurance Companies Control Law which states the following:

1. SAMA shall request the licence withdrawal of the company or the insurance and reinsurance services provider in the following cases:
 - ▶ No business activities for a period of six months from the issuance date of the licence;
 - ▶ Non compliance with the law and Implementing Regulations;
 - ▶ Providing SAMA with false information in its licensing application;
 - ▶ Conducting its business and affairs in a manner that threatens to make it insolvent or that is hazardous to its policyholders, stockholders or the public;
 - ▶ Insolvency, or its assets are not sufficient for carrying on its business;
 - ▶ The business is fraudulently conducted;
 - ▶ The paid up capital falls below the prescribed minimum limit or failure to fulfil the provisions of Article 68 that stipulates the Solvency Requirements;
 - ▶ The business or volume of activities falls to a limit that SAMA finds unviable to operate under;
 - ▶ Refusal or delay of payments, due to beneficiaries, without just cause;
 - ▶ Refusal to be examined or to produce its accounts, records, or files for examination by SAMA;
 - ▶ Failure to pay a final judgement against the Company related to its insurance operation.
2. In case of licence withdrawal, the company's or the insurance and reinsurance provider's responsibility towards its policyholders shall be transferred to another licensed entity chosen by the beneficiaries with the approval of SAMA.
3. SAMA shall supervise all settlements related to existing insurance policies where a company's business activities and status fall under Article 76.

There can be no assurance that the Company will obtain a licence from SAMA to commence its activities and/or will adhere to Article 76 of the Implementing Regulations if licensed.

2-1-6 Saudization Ratio

In line with the regulations issued by the Ministry of Labour and Article 79 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, the percentage of Saudi employees shall not be less than 30% at the end of the first year of operation, and this percentage shall increase annually according to a Saudization plan to be submitted to SAMA.

There can be no assurance that the Company will be compliant with Article 79 of the Implementing Regulations, in which case it may be questioned by SAMA and penalties may apply.

2-1-7 Reinsurance Risk

Insurance companies tend to enter into reinsurance arrangements with either international or regional companies in order to limit their risk exposure in exchange for a premium. Fluctuations in the reinsurance market may cause such premiums to increase which may adversely affect the Company's profitability. Furthermore, the failure by a reinsurer to meet its obligations could significantly increase the Company's exposure which, in turn, could have a material adverse effect on the Company's financial performance, its client relationships and profitability.

The availability of reinsurance, its magnitude and cost are subject to market prevailing terms. The Implementing Regulations of the Insurance Law stipulate that insurance companies should retain 30% of the written premiums and reinsure 30% of the total premiums written in the Kingdom. If the Company were unable to maintain or replace reinsurance arrangements, either exposures would increase or, if unwilling to bear such increase in exposures, the Company would be required to reduce the level of its underwriting commitments. In addition and despite reinsurance, the Company will remain primarily liable to all insured.

2-1-8 Rating Risk

Upon incorporation of the Company and commencement of operations, the Company may be required to employ a credit ratings agency to evaluate its position and provide a rating. However, the Company may not obtain a favourable rating if its exposure is greater than reasonable which may adversely affect the Company's business.

Additionally, the Implementing Regulations require the Company, in case of reinsurance, to select a reinsurer, at a minimum, with a S&P rating of BBB or its equivalent rating from an internationally recognized organisation. If the rating of a selected reinsurer goes below BBB or its equivalent, the Company will have to cease its reinsurance arrangements if SAMA consent to retain its reinsurer is not obtained, which may materially increase the Company's costs and exposure.

2-1-9 BUPA's Brand

The Company believes that BUPA is a strong brand that has contributed significantly to the success of BME's business to date. The Company's ability to maintain that business as a market leader and provide high quality products and services will depend upon ongoing maintenance and enhancement of the Company's brand as successor to BME's business.

BUPA Arabia intends to enter into a brand licence agreement with BUPA Middle East Holdings W.L.L pursuant to which BUPA Arabia will be granted a licence to use the word "BUPA" and the BUPA logo, a registered trademark owned by BUPA, as part of its corporate name and trade name. The licence is for an indefinite period of time but shall come to an end in a variety of circumstances including if BUPA Middle East Holdings W.L.L and BUPA Investments Overseas Ltd cease to be shareholders in BUPA Arabia. Throughout the term of the licence, BUPA Arabia is restricted from using the BUPA brand other than in the Kingdom of Saudi Arabia and indemnifies BUPA against any loss it may suffer in connection with the use of the brand by BUPA Arabia.

There is a risk that if BUPA Arabia was no longer entitled to use the BUPA brand in accordance with the BUPA Brand Licence that this may have an impact on the trading reputation and position of BUPA Arabia.

2-1-10 Use of BME Personnel, Premises and Other Assets

The Company will acquire the use of a full complement of personnel, premises and other fixed assets such as IT systems and hardware and arrangements necessary for it to trade together with BME on completion of the Acquisition. Accordingly, the Company does not intend to take on any additional personnel or acquire additional premises or other assets necessary for it to trade before the Acquisition. If for any reason the Acquisition of BME did not proceed, the Company would not at that point have acquired the necessary assets or personnel or put the necessary arrangements in place in order for it to commence business independently.

2-1-11 Dependence on Key Personnel

The success of the Company depends upon its ability to attract and retain qualified employees and upon the ability of senior management and other key employees to fully implement its formulated business strategy. The loss of the services of members of the senior management team or the inability to attract and retain other talented personnel could impede the implementation of the Company's business strategy, which could have a material adverse effect on the business of the Company.

2-1-12 Staff Misconduct

Notwithstanding the establishment of internal controls and procedures governing staff misconduct, the Company cannot guarantee that staff misconduct will not occur which may adversely affect the Company's financial position and performance. Accordingly, any misconduct by staff might cause the Company to be in breach of any applicable law, regulation or rule and attract disciplinary penalties and financial liabilities and/or reputational damage.

2-1-13 Significant Industry Concentration: Specialty Industry Risks

Given the Company's focus on medical insurance risk, its operations could be more exposed to the effects of changing economic conditions, regulations or legal precedents which may affect the insurance sector. Any such exposure could adversely affect the financial condition and results of the Company.

2-1-14 Technology Risk

Like other modern businesses, BUPA Arabia places significant reliance on IT to meet its objectives. Even though the Company will build resilient systems and processes to mitigate systems failure, there is still the possibility that the Company's business activities could be materially impacted in the event of a partial or complete breakdown of information technology or communications systems. Prolonged breakdown of these systems could result in the loss of existing or potential business relationships and could adversely affect the Company's profitability.

2-1-15 Source of Funds

The future capital requirements of BUPA Arabia depend on many factors, including its ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. The Company may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favourable to the Company. In the case of equity financings, shareholders' equity could be diluted. If the Company cannot obtain adequate capital, its business, results of operations and financial condition could be adversely affected.

2-1-16 Renewals of Existing Policies

It is anticipated that the Company's insurance policies will generally be for a term of 12 months. If actual renewals of BME's existing contracts with policyholders or the Company's future contracts with policyholders do not meet expectations, the Company's premiums written in future years and its future results of operations could be materially adversely affected.

2-2 Risks Relating to the Market and to the Regulatory Environment

2-2-1 Regulations

BUPA Arabia is subject to regulations under applicable Insurance Law in the Kingdom. Insurance regulations relate to authorized lines of business, capital and surplus requirements, types and amounts of investments, underwriting limitations, trade practices, policy forms, claims practices, reserve adequacy and a variety of other financial and non-financial components of an insurance company's business.

Regulations governing the insurance sector are subject to change from time to time by the regulatory bodies including SAMA which may limit the Company's ability to respond to changes in the market and may require the Company to incur additional costs in order to comply with such regulations. The Company may be required to adhere to changes in Insurance law and regulations that could materially adversely affect the business, financial conditions and/or operating results. If the Company does not comply with these regulations, it may be subject to penalties, including fines, suspensions and withdrawal of the Company's licence to conduct insurance business, which may adversely affect the Company's financial condition and results of operations.

2-2-2 Competition

Many insurance companies have been granted approvals by the Council of Ministers to incorporate as public joint stock companies licensed by SAMA to conduct insurance and in some cases, reinsurance business in Saudi Arabia. There are also many other companies awaiting licensing which is likely to increase competition further.

The Company's competitive position will be based on many factors, including its perceived financial strength, geographic scope of business, client relationships, premiums charged, policy terms and conditions, products and services offered including the ability to design customized programs, speed of claims payment, reputation, experience and qualifications of employees and local presence.

Any increase in competition could result in lower premium rates and less favourable policy terms and conditions, which could have a material adverse impact on the Company's growth, profitability and market share.

2-2-3 Policy Approvals

If the Company is unable to obtain regulatory approval to begin writing policies and transition business in a timely manner, its ability to generate revenue could be delayed.

The Company has received approval from the Council of Cooperative Health Insurance (“CCHI”) and must successfully receive approval from SAMA in order to issue policies in the Kingdom. The Company will be unable to generate premium revenue if it is unable to write business or there are significant regulatory delays affecting the Company’s ability to start its operations.

2-2-4 Solvency Requirements

In accordance with Clause 66 of the Implementing Regulations, insurers within the general and health insurance business shall maintain a minimum solvency level equivalent to the highest of the following three amounts: (1) minimum capital required, (2) premium solvency margin: written premium should be classified according to the different lines of insurance where a specified coefficient should be used for calculating premium solvency margin in accordance with SAMA’s guidelines (16% for health insurance). Net written premium for each line of insurance should be calculated by deducting the relevant reinsurance amount of each line of insurance provided that it is not less than 50% of gross written premium, the solvency margin is then calculated by multiplying the coefficient by the adjusted written premium for each line of insurance and aggregating the results, (3) claims solvency margin: average total claims of the three recent years should be classified according to the different lines of insurance where a specified coefficient should be used for each line in accordance with SAMA’s guidelines (24% for health insurance). Net claims for each line of insurance should be calculated by deducting the relevant reinsurance amount of each line of insurance provided that it is not less than 50% of gross claims, the solvency margin is then calculated by multiplying the relevant coefficient by the adjusted claim for each line of insurance and aggregating the results. As an exception to the above, premium solvency margin should be used to calculate the solvency margin for the first three years of the Company’s registration. The Company’s solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold and by regulations on the determination of statutory reserves. It is also affected by a number of other factors, including the profit margin of products, return on investments, and underwriting and acquisition costs. If the Company grows rapidly, or the required solvency level is increased in the future, it may be necessary for the Company to raise additional capital to meet solvency requirements, which could be dilutive. If the Company is unable to raise additional capital, it may be forced to reduce the growth of its business operations and may not be able to declare dividends.

2-2-5 Reporting Requirements

BUPA Arabia must comply with the reporting requirements of regulatory bodies including SAMA, the CMA and the CCHI. For example, BUPA Arabia is required to periodically file financial statements and annual reports, prepared on a statutory accounting basis used in the Kingdom, and other information with SAMA, including information concerning the Company’s general business operations, capital structure, ownership and financial condition. The Company could be subject to regulatory actions, sanctions and fines if SAMA, the CMA or the CCHI believed that the Company had failed to comply with any applicable law or regulation. Such failure, if it materialised, could negatively impact the Company’s ability to do business and may adversely affect the Company’s results.

2-2-6 Economic and Industry Conditions

BUPA Arabia’s performance depends significantly on economic conditions in Saudi Arabia and on global economic conditions that affect the economy of the Kingdom. Changes in economic conditions can affect the financial results of BUPA Arabia through their effect on market conditions and investment income, and through changes in consumer demand for BUPA Arabia’s products and services. BUPA Arabia cannot predict the impact that future economic and industry conditions will have on its business. There can be no assurance that future conditions will not materially adversely affect BUPA Arabia’s profitability.

2-2-7 Litigation

In the ordinary course of its business, BUPA Arabia may pursue litigation claims against third parties and may also have litigation claims filed against it. BUPA Arabia may for example, sue a company or a customer for refusing to meet their financial obligations. In turn, BUPA Arabia may also be sued by another company or customer. These lawsuits and conflicts may materially affect BUPA Arabia’s reputation and financial standing.

2-2-8 Unsuccessful Corporate Development or Expansion

BUPA Arabia’s corporate development strategy is to establish and grow the medical insurance business in Saudi Arabia. The Company’s ability to carry out this strategy is reliant on the quality of its Management, and will also be subject to a number of factors beyond its control, including government regulation and actions of regulatory agencies and competitors. There can be no assurance that the Company will be successful in establishing or growing its medical insurance business, or that such operations will be profitable.

2-2-9 Health Care Supply and Prices

The Company will be a party to several contracts with health care providers for the provision of health care services to its policy holders. As a result, any delay or interruption in or change to the terms of the ongoing contracts with health care providers such as price changes or limitations to patient treatment may adversely affect the Company's business, results of operations and cash flows.

2-3 Risks Relating to Ordinary Shares

2-3-1 Absence of a Prior Market for the Shares

The Company's Shares have not been traded in the stock market before, and there can be no assurance that an active trading market for the Company's shares will develop or be sustained after this Offering or the Company's shares will be traded at a price equivalent to the offer price upon commencement of trade. If an active trading market is not developed or maintained, the trading liquidity or price of the shares could be adversely affected. The Company's shares may be subject to high volatility driven by a number of reasons including the general economic environment in the Kingdom, insurance market conditions, the Company's performance and results of operation in addition to factors the Company has no influence upon.

2-3-2 Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company and general economic conditions and other factors that the Directors of the Company deem significant from time to time.

Although it is the Company's intention to pay annual dividends to its shareholders, the Company does not guarantee that dividends will be actually paid in any given year. Payment of dividends by the Company is subject to certain restrictions mentioned in the Company's bylaws and the relevant regulations, see "Dividend Policy" section of the Prospectus.

2-3-3 Effective Control by the Founding Shareholders

Following this Offering, the Founding Shareholders will collectively own 60% of the Company's issued Shares. Therefore, the Founding Shareholders (acting together or in any combination) and their board representatives, independently and voting together, will have the ability to significantly influence all major decisions involving the Company. In particular, they will be able to influence all matters requiring Shareholder approval, including the appointment and removal of Directors, and they may exercise this ability in a manner that could have a significant effect on the Company's business, financial condition and results of operations.

2-3-4 Restrictions on Mergers and Acquisitions and Opening New Branches

According to Article 39 of the Implementing Regulations, insurance companies are required to obtain SAMA's written approval for any mergers, acquisitions, or branch openings. Such restrictions might in certain instances limit the Company's ability to attract a financial or strategic investor should SAMA reject or delay approval for, or impose conditions the Company finds difficult to comply with, which could consequently have an adverse effect on the Company's business.

2-3-5 Future Sales and Offerings

Sales of substantial numbers of the Company's shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Upon successful completion of the Offering, the Founding Shareholders may not dispose of any Share during the period of three full fiscal years from the date of incorporation of the Company (each fiscal year consists of 12 months). Once the Lock-in Period has elapsed, the Founding Shareholders may dispose of their Shares after obtaining the required CMA and SAMA approvals.

The issuance by the Company or sale by any of the Founding Shareholders following the share-restriction period of a substantial number of Shares could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

3 Market Overview

The information regarding the insurance industry and other data regarding the market segment in this Prospectus have been obtained from different sources. Such information, sources, and estimates are believed to be reliable, and the Company has made a reasonable effort to verify the sources. While neither HSBC nor the Company's advisors have any reason to believe that the information on the insurance industry and other data regarding the market segment are materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. These sources mainly include:

1. The Saudi Arabian Monetary Agency ("SAMA")

2. Business Monitor International ("BMI")

Established in 1984, BMI publishes reports and economic surveys on various subjects including political risks, financing, economic analysis and forecasts.

3. Swiss Reinsurance Company ("Swiss Re")

Swiss Re is one of the leading companies in the field of reinsurance. It was established in 1863 in Zurich, Switzerland. Swiss Re has a presence in more than 25 countries and publishes a range of reports on insurance markets worldwide. Those reports are publicly available documents and can be found on the internet.

BMI has given and not withdrawn its consent to the use of its reports in the Prospectus as of the date of the Prospectus. The information obtained from SAMA and Swiss Re is publicly available and therefore consent to use their reports in the Prospectus has not been sought.

3-1 Saudi Economy Overview

Saudi Arabia is an oil-based economy with the largest proven oil reserves in the world, 264.3 billion barrels, representing 23% of the world's total reserve. It ranks as the largest producer as well as exporter of oil and plays a leading role in OPEC with 29% of OPEC oil production. The revenues from oil and gas sectors represent approximately 75% of the Government's revenues and 45% of its GDP.³ The average daily production of oil was approximately 9.21 million barrels during 2006.⁴

The Government has undertaken a wide-scale program for restructuring the Saudi economy with an eye focused on attracting the private sector in the local market and internationally to invest in different fields including oil, gas, petrochemicals, power, telecommunications and real-estate. To attract foreign investments and diversify the economy, Saudi Arabia has launched mega projects represented by establishing six economic cities in the Kingdom to achieve parallel development kingdom-wide and support its diversification policy. The Kingdom is currently experiencing a healthy period of economic restructuring and liberalization which is believed to be an ideal foundation towards building a modern, diversified, globally competitive and private-sector-driven economy benefiting from best international practices. Foreign assets held by SAMA reached SAR 842,000 million (USD 224,533 million) by the end of 2006 and are expected to reach more than SAR 1,000,000 million (USD 266,667 million) by the end of 2007, representing 80% of GDP.⁵

2006 was the most prosperous year in the Kingdom's economic history since 1982. This success was driven by the strengths of the oil sector; the improved domestic environment; the acceleration of reform measures; the Kingdom's membership of the WTO; the growth of foreign assets held by SAMA; the increased liquidity in the market; the rapid growth by the private sector; and the high profits achieved on the corporate level during 2006.⁶

Saudi Arabia remains vulnerable to oil price fluctuations which can contribute to a volatile pattern of economic activity. An extraordinary strong upturn in oil prices and production in 2006 has resulted in a robust growth in the Saudi economy as the nominal GDP grew by 10.6% in 2006 to SAR 1,307,513 million (USD 348,670 million) compared to a 26% growth in 2005. The nominal GDP is expected to grow by 7.3% to SAR 1,404,375 million (USD 374,500 million) in 2007 and by 8.7% in 2008 to SAR 1,526,250 million (USD 407,000 million).⁷

The real GDP grew by 4.3% in 2006 compared to 6.1% in 2005. The real GDP is expected to grow by 4.1% in 2007 and 4.3% in 2008. These growth rates clearly indicate that the economy is experiencing healthy growth which is likely to continue until 2010, at least.⁸

3 Gulfbase (Gulfbase.com)

4 SAMA Report 43

5 Gulfbase (Gulfbase.com)

6 Gulfbase (Gulfbase.com)

7 SAMA Report 43, Gulfbase (Gulfbase.com)

8 Gulfbase (Gulfbase.com)

3-2 Global Insurance Market

In 2006, worldwide insurance premiums amounted to SAR 13,961bn (USD 3,723bn), SAR 8,284bn (USD 2,209bn) in life and SAR 5,678bn (USD 1,514bn) in non-life insurance. Total premium volume grew by 5.0% in real terms. Life premiums increased by 7.7%, whereas non-life premiums increased by 1.5%. Profitability in life and non-life insurance improved compared to 2005.⁹

Exhibit 3-1: Real Premium Growth 2006

	Life	Non-Life
Industrial countries	6.6%	0.6%
Emerging markets	21.1%	10.8%
Total	7.7%	1.5%

Source: Swiss Re, Sigma No 4/2007

3-3 Insurance in Emerging Markets

Emerging markets economies continued to grow rapidly in 2006. Both life and non-life insurance premiums registered real growth of 21.1% and 10.8%, respectively.¹⁰

This growth is being driven by strong economic results in emerging markets and increased focus on the development of insurance systems.¹¹

The emerging markets expanded by 6.9% in 2006, twice as fast as industrialized countries. The expansion was sustained by strong domestic demand and high commodity prices. Strong growth was again observed in South and East Asia, up 9.2%, with China and India continuing to grow, bolstering economic activity in other countries through regional trade. The other emerging markets regions also showed robust growth. Central and Eastern Europe life premiums grew by 6.0%, whilst Latin America grew by 5.1%.¹²

In 2006, the non-life premium recorded a growth of 10.8% in real terms, to SAR 589bn (USD 157bn), against 7.0% in 2005. All regions experienced a positive real growth ranging from 9.2% in Central and Eastern Europe to 10.0% in Latin America and 6.2% in Africa.¹³

Insurance premiums in the emerging markets are growing at a faster rate than premiums in the industrialised countries. This has been attributed to rapid growth in insurance industries and ongoing development of healthy economies within the emerging markets.¹⁴

Regionally, UAE and Qatar achieved the highest growth rate in terms of premiums written in 2006, recording 27.38% and 24.03% respectively as shown in the following table:

9 Swiss Re, Sigma No. 4/2007
 10 Swiss Re, Sigma No. 4/2007
 11 Swiss Re, Sigma No. 4/2007
 12 Swiss Re, Sigma No. 4/2007
 13 Swiss Re, Sigma No. 4/2007
 14 Swiss Re, Sigma No. 5/2006 and 4/2007

Exhibit 3-2: Regional Premium Volume (SAR million)

Country	2005	2006	Growth Rate	Percentage of Global Insurance Market
Iran	8,929	10,568	18.35%	0.08%
UAE	8,025	10,223	27.38%	0.07%
Saudi Arabia	5,295	5,963	12.61%	0.04%
Lebanon	2,490	2,460	-1.21%	0.02%
Kuwait	1,976	2,355	19.17%	0.02%
Qatar	1,733	2,149	24.03%	0.02%
Jordan	1,159	1,301	12.30%	0.01%
Oman	1,099	1,309	19.11%	0.01%

Source: Swiss Re, Sigma No 4/2007 (per The Saudi Insurance Market Survey Report by SAMA (2005-2006), Exhibit 3-3, written premiums of Saudi Arabia reported as SAR 5,153 m and SAR 6,937 m in 2005 and 2006 respectively).

3-4 Saudi Arabian Insurance Market

3-4-1 Introduction

The Saudi Arabian insurance market is considered relatively new compared to other developing countries. The concept of insurance is rapidly evolving in the Kingdom particularly in light of the cooperative insurance introduced in the 1980s, consistent with Shariah principles. Cooperative insurance advocates and focuses on mutual cooperation and benefit so, to form an implementation platform, the government established The Company for Cooperative Insurance (“NCCI”) in 1986 which became the first licensed company under cooperative insurance. NCCI became the first listed insurance company in Saudi Arabia in 2005.

With the exception of NCCI, the majority of the insurers operating in the Saudi market were Saudi Arabian agents of offshore registered companies until new market regulations were put into effect through the Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. M/32 dated 2/6/1424H (corresponding to 31/7/2003G). Under this Royal Decree, insurance in the Kingdom should be undertaken through registered insurance companies operating in a cooperative manner as it is provided within the bylaws of NCCI promulgated by Royal Decree M/5 dated 17/5/1405H (corresponding to 7/2/1985G). According to Article 2 of the Law on Supervision of Cooperative Insurance Companies, SAMA was assigned powers to ensure proper implementation of the regulations subject to the provisions of Cooperative Health Insurance Law as promulgated by Royal Decree M/10 dated 1/5/1420H (corresponding to 13/8/1999G). Rules of Implementing Cooperative Health Insurance Law was issued by the Minister of Health in Resolution No. 460/23/DH dated 27/3/1423H (corresponding to 9/6/2002G).

Insurance companies seeking incorporation and licensing by Royal Decree must meet the following basic requirements announced by SAMA:

- ▶ Insurance companies operating in Saudi Arabia must be registered in the Kingdom and must implement cooperative insurance;
- ▶ The legal status of insurance companies must be joint stock;
- ▶ Minimum share capital for insurance and reinsurance companies is SAR 100 million;
- ▶ Minimum share capital for reinsurance companies is SAR 200 million;
- ▶ Total written premiums should not exceed 10 times that of the paid up share capital.

The new regulations and implementation rules impacted the whole insurance industry in Saudi Arabia requiring it to restructure and reform. Several insurance entities chose to exit the market, while many others elected to remain and undergo the necessary restructuring required by SAMA and other regulatory bodies such as SAGIA and MoCI.

On 31/12/2007, SAMA issued an announcement pertaining to the latest status of insurance companies applications. The announcement includes the names of 21 insurance companies that were categorised as being licensed or approved by the Council of Ministers to be incorporated. Another 9 insurance companies, as per the announcement, have been categorised as either companies under licensing or companies whose files are still under review.¹⁵

¹⁵ Announcement by SAMA dated 31/12/2007

Companies having been licensed or approved by the Council of Ministers to be incorporated as of 31/12/2007:

- ▶ The Company for Cooperative Insurance
- ▶ The Mediterranean & Gulf Insurance & Reinsurance (MedGulf)
- ▶ Malath Cooperative Insurance Company
- ▶ Arabian Shield Cooperative Insurance
- ▶ Allied Cooperative Insurance Group
- ▶ Al-Ahli Cooperative Insurance
- ▶ Sanad for Cooperative Insurance and Reinsurance
- ▶ Alsagr Company for Cooperative Insurance
- ▶ BUPA Arabia for Cooperative Insurance
- ▶ Trade Union Insurance Company
- ▶ Cooperative Assurance Saudi Fransi
- ▶ Saudi IAIC for Cooperative Insurance
- ▶ SABB Takaful Company
- ▶ Saudi United Cooperative Insurance
- ▶ Saudi Indian Cooperative Insurance
- ▶ Al Ahli Takaful
- ▶ Gulf Union Cooperative Insurance
- ▶ Saudi Arabian Cooperative Insurance Company
- ▶ Arabia Insurance Cooperative Company
- ▶ United Cooperative Assurance (UCA)
- ▶ Saudi Re for Cooperative Reinsurance Company

Companies having been under licensing or whose files are still under review as of 31/12/2007:

- ▶ Tokio Marine Saudi Arabia
- ▶ Al Alamiya Insurance Company
- ▶ AlRajhi Company for Cooperative Insurance
- ▶ Wiqaya Takaful Insurance Company
- ▶ Arabia Ace Insurance Company
- ▶ AXA Cooperative Insurance Company
- ▶ Arabian Malaysian Takaful Company
- ▶ Buruj Cooperative Insurance Company
- ▶ Gulf General Insurance Company

3-4-2 Current Market

NCCI has the largest market share of the Saudi Arabian market in terms of Gross Written Premiums (“GWP”) which represented 29.2% and 25.3% in 2005 and 2006 respectively. The market share of the other 7 largest companies represented 36.9% and 40.3% in 2005 and 2006 respectively. The remaining 34 companies, according to the SAMA report, represented 33.9% and 34.4% in 2005 and 2006 respectively.¹⁶

Reports from NCCI, the former monopoly insurer, indicate that gross non-life premiums rose by 16.0% to just less than SAR890 million in the first half of 2006. On the basis that any newcomers must be growing faster than NCCI, BMI expected that non-life premiums would increase by 18.0% in 2006 as a whole. This outcome is consistent with their view that non-life penetration will rise from 0.45% of GDP in 2005 to 0.60% in 2010.¹⁷

In 2006, the Saudi Arabian insurance market was estimated to be worth SAR 6.9 billion in gross written premiums and experienced a growth rate of 35.0% (0.46% of GDP). Health insurance had the largest market share with 32.0%, followed by motor insurance 28.0% and property 11.0%¹⁸. The following table shows the breakdown of GWP in 2005 and 2006 in the Kingdom by insurance line:

¹⁶ The Saudi Insurance Market Survey Report by SAMA (2005-2006)

¹⁷ Saudi Arabia Insurance Report Q4, 2006 by BMI

¹⁸ The Saudi Insurance Market Survey report by SAMA (2005-2006)

Exhibit 3-3: Gross Written Premium by Line of Business

	2005		2006		%Change
	SAR m	% Total	SAR m	% Total	
Health Insurance					
Health	1,370	27.0%	2,222	32.0%	62%
General Insurance					
Motor	1,587	31.0%	1,920	28.0%	21%
Property	644	12.0%	769	11.0%	19%
Accident & Liability and other	424	8.0%	580	8.0%	37%
Engineering	296	6.0%	544	8.0%	84%
Marine	382	7.0%	431	6.0%	13%
Energy	122	2.0%	127	2.0%	4%
Aviation	135	3.0%	126	2.0%	-7%
Subtotal	3,590	69.0%	4,497	65.0%	
Protection & Savings					
Protection & Savings	193	4.0%	218	3.0%	13%
Total	5,153	100.0%	6,937	100.0%	35%

Source: The Saudi Insurance Survey Report by SAMA (2005-06)

General insurance GWP increased from SAR 3.6 billion in 2005 to SAR 4.5 billion in 2006, representing a growth rate of 25%. Health insurance GWP grew by 62% from SAR 1.4 billion in 2005 to SAR 2.2 billion in 2006 and protection and savings GWP increased by 13% from SAR 0.19 billion in 2005 to SAR 0.22 billion in 2006.¹⁹

The following table provides the estimates for the insurance penetration and density for the years 2005 and 2006 in the Kingdom:

Exhibit 3-4: Estimates of Insurance Penetration and Density

	2005	2006
Insurance Penetration		
Total penetration, % of GDP	0.44%	0.53%
Saudi GDP, SAR bn	1,183	1,308
Insurance Density		
Total density, SAR per capita	223	293
Population, m	23.10	23.70

Source: The Saudi Insurance Market Survey report by SAMA (2005-2006)

¹⁹ The Saudi Insurance Market Survey report by SAMA (2005-2006)

3-4-3 Health Insurance Sector

The Council of Ministers passed resolution No. 71 in 27/4/1427H (corresponding to 11/8/1999G) announcing the implementation of mandatory health insurance for all expatriates employed in Saudi Arabia and the formation of the CCHI. The CCHI was officially established in 1/1/1422H (corresponding to 26/3/2001G) and is responsible for the implementation and supervision of mandatory health insurance in the Kingdom.

The implementation rules of cooperative health insurance issued by the CCHI stipulated three phases for implementation depending on the number of expatriates employed as follows:

- ▶ Phase 1: Companies with more than 500 expatriate employees;
- ▶ Phase 2: Companies with between 100 and 500 expatriate employees;
- ▶ Phase 3: Companies with less than 100 expatriate employees.

The implementation of the first two phases has resulted in more than 3.3 million new insured expatriates under the scheme.²⁰

The expatriate population, which currently stands at approximately 7 million, is expected to be entirely insured within the next few years.²¹ This will play a key role in shaping the future health insurance market and will also affect the distribution of health care spending. Although Saudi nationals are not included in the compulsory health insurance scheme, many employers are providing this benefit to Saudi employees to ensure parity between employees. Furthermore, it is expected that the health insurance market will witness additional growth once this becomes compulsory although no official announcement has been made by the CCHI in this regard.

3-4-4 Future Prospects

In 2005, there were over 70 insurance offices in the form of companies or brokers operating in the Kingdom and more than 35 agents distributed around the main cities of Saudi Arabia.²² However, following the introduction of the SAMA implementation rules and requirements, many of these insurance companies were not able or willing to remain in the market. This has been perceived positively by major players who see this as further opportunity to grow their market share.

There is also the possibility that new entrants such as large international insurance companies may choose to enter the market given that approximately 7 million expatriate lives would need to be insured within the next few years. Acquisitions may also become a major strategy for rapid growth both for local insurance companies already established in the market and for new entrants.

BUPA Arabia subsequent to the Acquisition, will be one of the companies with international credentials as well as first hand experience of health care and insurance in Saudi Arabia due to it being the successor to BME's business and its ongoing association with the BUPA Group.

3-5 The Key Dynamics of Growth in Health Insurance

3-5-1 Implementation of Mandatory Health Insurance for Expatriates

As the responsible body for the implementation and supervision of mandatory health insurance in the Kingdom, the CCHI adopted a three-phase plan to implement mandatory health insurance depending on the number of expatriates employed. For more details please refer to section 3-4-3 "Health Insurance Sector" of the Prospectus. It is expected that the enforcement of the mandatory health insurance for all expatriates employed in Saudi Arabia will have the most significant impact on market growth.

The last phase of the mandatory health insurance scheme (companies with less than 100 expatriate) will soon be put into effect and the aim will be to cover all expatriates in the forthcoming years.

²⁰ The Saudi Gazette 23 April 2007

²¹ Riyadh Daily Newspaper "The Kingdom to Witness a Major Leap in Health Care Industry", 21 February 2007. Issue No. 14121

²² Saudi Arabia Insurance Report Q4 2006 by BMI

3-5-2 Concurrent Voluntary Insurance for Saudi Staff

It is not mandatory for employers to insure their Saudi workforce. However, BME's experience shows that employers tend to treat their employees equally. It is therefore anticipated, that companies may in the future provide insurance protection to national employees and that will be driven by:

- ▶ Pressure on companies to equalize benefits between nationals and non-nationals;
- ▶ Increased awareness of the benefits of health insurance;
- ▶ The desire of companies to offer standardized benefits for all employees.

3-5-3 Increasing Population and the Widening Scope of Saudization

The estimated growth rate of the national population between 2004 and 2015 is 2.3%.²³ Despite the concurrent growth in expatriate numbers which is believed to be relatively high, there are serious efforts to replace the expatriate workforce with Saudis. This has been undertaken through imposing strict Saudization regulations and encouraging young Saudis to join the workforce. Other factors that could have a negative impact on the expatriate population base in the future are:

- ▶ The increasing difficulty in obtaining visas for expatriates;
- ▶ The widening scope of roles to be Saudized.

4 The Company

4-1 Introduction

BUPA Arabia is a Saudi joint stock company under formation in accordance with Ministerial Resolution No. 279 dated 28/8/1428H (corresponding to 10/9/2007G) and in accordance with Royal Decree No. M/74 dated 29/8/1428H (corresponding to 11/9/2007G). The Company's registered office is located in the city of Jeddah, Kingdom of Saudi Arabia.

The Company's paid up capital is SAR 400 million divided into 40 million shares with a nominal value of SAR 10 per share. The Founding Shareholders have subscribed for 24 million shares with a total paid up value of SAR 240 million, which represents 60% of the Company's share capital. Founding Shareholders subscriptions have been deposited into the Company's bank account at SABB. The remaining 16 million shares, with a total value of SAR 160 million are being offered to the public as the Offer Shares.

Following completion of the Offering and the conclusion of the Constituent Assembly, an application will be submitted to the Minister of Commerce and Industry requesting him to announce the incorporation of the Company. The Company will be considered duly incorporated as a joint stock company from the date of issuance of the Resolution of the Minister of Commerce and Industry declaring its incorporation.

Following the formation of the Company, it shall submit an application to SAMA to commence its insurance business in the Kingdom and shall take all necessary steps to obtain the consents required for and otherwise to complete the Acquisition (at a valuation agreed to by relevant regulatory bodies and the shareholders of BME). Thereafter, the Company will acquire BME together with its Saudi insurance portfolio and operations at the earliest opportunity. For more information on the proposed Acquisition, please refer to the "Acquisition" section of the Prospectus.

4-2 Business Background

The Saudi insurance business of BME, acting through its agent ASAS Health Care Co Ltd ("ASAS"), has its head office located in Jeddah, Saudi Arabia and has two other satellite offices in Riyadh and Al-Khobar. BME started its business in Saudi Arabia in 1997 through a sole agency agreement with ASAS. BME was registered on 25/5/1418H (corresponding to 27/09/1997G), as an exempt company, in Bahrain, under commercial registration number 39161-01. BME is a joint venture between Nazer Group Holding Company Ltd. ("Nazer Group") and BUPA Investments Overseas Ltd, a member of the BUPA Group. The share capital of BME is SAR 32.43 m (BD 3.26 m) distributed equally between its shareholders, for more information about Nazer Group and BUPA Investment Overseas Ltd, please refer to section 4-4 of the Prospectus (Corporate Shareholders of the Company). BME is engaged in the provision of health insurance services in the Kingdom of Saudi Arabia.

Nazer Group was founded in 1991 as a holding company for a diverse range of entrepreneurial investments in Saudi Arabia and abroad. Headquartered in Jeddah with offices in Riyadh, Al-Khobar and Chicago, the group has business interests that include private equity, service industries such as medical insurance and communications, medical equipment, and manufacturing facilities in Europe and the Far East. By combining conservative business principles with creative flair. BUPA is one of the UK's leading private health and care organisations whose activities date back to 1947. BUPA provides medical insurance for 7.2 million customers in more than 190 countries. These include local operations in the UK, Spain, Hong Kong, Thailand, Saudi Arabia, Australia, the USA and Denmark.

Over the years, BUPA has won several prestigious awards, among them the Queen Elizabeth II Award for Enterprise in the International Trade Category in 2005. In addition, BUPA has received recognition for health care services including the FT Business Offshore Excellence Award 2000 and Best International Health Care Provider at the UK's Health Insurance Awards for five years running beginning in 1999, in addition to the years 2006 and 2007.

With management support from the Nazer Group and the BUPA Group, BME has developed a range of quality services which, in the opinion of the key management, are arguably unmatched in the market. The ability to innovate to meet customers' needs is an integral part of BME's philosophy and this is a key element of its business culture. This supported a growth in membership of 36% in 2005 and 65% in 2006.

BME provides a personal health service giving beneficiaries access to the highest standards of private health care. With branches in the major cities of Saudi Arabia, BME works closely with its extensive network of hospitals and clinics inside and outside Saudi Arabia including Lebanon, Kuwait, Jordan, Bahrain and the UAE to ensure that insured members of the Company receive required health insurance coverage while outside the Kingdom. The Company does not itself provide any services outside the Kingdom.

4-3 Ownership Structure and Founding Shareholders

The paid up share capital of the Company is SAR 400 million consisting of 40 million shares with a nominal value of SAR 10 each. The Founding Shareholders will own 24 million shares representing 60% of the share capital of the Company. The remaining 16 million shares representing 40% will be offered to the public. No privileges have been granted by the Company to the Founding Shareholders, nor to any other person. The shareholders and their respective ownerships are as follows:

Exhibit 4-1: Ownership Structure of BUPA Arabia

Shareholder	Number of Shares	Value (SAR)	Percentage
BUPA Middle East Holdings W.L.L	9,000,000	90,000,000	22.50%
BUPA Investments Overseas Ltd.	6,000,000	60,000,000	15.00%
Nazer Group Holding Co. Ltd.	2,000,000	20,000,000	5.00%
ASAS Health Care Company Ltd.	2,000,000	20,000,000	5.00%
Modern Computer Programs Company Ltd.	2,000,000	20,000,000	5.00%
Dr. Suliman Al-Habib Medical Centre	1,000,000	10,000,000	2.50%
Ahmed Mohammed Abdul Wahab Naghi & Sons Co.	1,000,000	10,000,000	2.50%
Ramez Mahmoud Al Halabi and Son Co.	500,000	5,000,000	1.25%
MADAF Trading and Contracting Co. Ltd.	500,000	5,000,000	1.25%
Public	16,000,000	160,000,000	40.00%
Total	40,000,000	400,000,000	100.00%

Source: BUPA Arabia

4-4 Corporate Shareholders of the Company

4-4-1 BUPA Middle East Holdings W.L.L (“BMEH”)

BMEH is the major Founding Shareholder of BUPA Arabia with shareholding interest of 22.50%. It was registered on 12/02/1426H (corresponding to 23/03/2005G) in Bahrain, under commercial registration number 56138. BMEH is jointly owned by BUPA Investments Overseas Limited, a subsidiary of BUPA, an international health and care business based in the United Kingdom, and the Nazer Group of Saudi Arabia, a conglomerate comprised of a broad range of successful local and international businesses. The current share capital of BMEH is SAR 19,900 (BD 2,000). The shareholders of BMEH have recently agreed to increase the share capital to SAR 91.74 million²⁴ (BD 9.22 million) and the formalities to effect this increase are currently in progress with relevant authorities in Bahrain. BMEH’s main business activities are managing affiliates, taking part in managing the other companies in which it participates, whether these are registered in Bahrain or abroad.

The table below shows the ownership structure of BMEH:

Exhibit 4-2: Shareholders of BUPA Middle East Holdings W.L.L

Shareholders	Ownership
BUPA Investments Overseas Ltd	50.00%
Nazer Group Holding Co Ltd.	50.00%
Total	100.00%

Source: BUPA Arabia

²⁴ 1 GBP = 7.65 SAR (07 October 07)

4-4-2 BUPA Investments Overseas Ltd. (“BIOL”)

BIOL is the second major Founding Shareholder of BUPA Arabia with shareholding interest of 15.00%.

BIOL was incorporated under the Laws of England and Wales with the Company registration number 2993390 dated 18/06/1415H (corresponding to 22/11/1994G). With a paid up share capital of SAR 7,363.6 million²⁵ (GBP 962.5 million), BIOL is wholly owned by BUPA Finance PLC (“BUPA Fin”) which is itself owned by BUPA. BIOL’s principal activity is that of a holding company. It acts as the BUPA Group’s intermediate holding company for most of the BUPA Group’s activities outside the United Kingdom.

The table below shows the ownership structure of BIOL:

Exhibit 4-3: Shareholders of BUPA Investment Overseas Ltd.

Shareholders	Ownership
BUPA Finance PLC*	100.00%

Source: BUPA Arabia

*BUPA Finance PLC is registered in England and Wales and it is fully owned by BUPA (British United Provident Association Ltd), which is a private company limited by guarantee without share capital and incorporated in England and Wales with no shareholders.

4-4-3 Nazer Group Holding Co. Ltd. (“Nazer Group”)

The Nazer Group is a Founding Shareholder of BUPA Arabia with shareholding interest of 5.00%.

Nazer Group was founded by Eng. Loay Hisham Nazer in 1991 as a holding company for a diverse range of entrepreneurial investments in Saudi Arabia and abroad. It was registered in Jeddah under Commercial Registration No. 4030077044 dated 08/07/1411H (corresponding to 23/01/1991G) with a paid up capital of SAR 35 million.

The table below shows the ownership structure of Nazer Group:

Exhibit 4-4: Shareholders of Nazer Group Holding Co. Ltd.

Shareholders	Ownership
Eng. Loay Hisham Mohiddin Nazer	50.14%
Jawaher Hisham Mohiddin Nazer	8.31%
Tal Hisham Mohiddin Nazer	8.31%
Fehr Hisham Mohiddin Nazer	8.31%
Amira Husain Badawi	8.31%
Nudd Hisham Mohiddin Nazer	8.31%
Modar Hisham Mohiddin Nazer	8.31%
Total	100.00%

Source: BUPA Arabia

²⁵ 1 BD = 9.95 SAR (07 October 07)

4-4-4 ASAS Health Care Company Ltd. (“ASAS”)

ASAS is a Founding Shareholder of BUPA Arabia with shareholding interest of 5.00%.

With a paid up capital of SAR 5 million, ASAS was founded as an agent for BME supporting its operations in Saudi Arabia. ASAS was registered in Jeddah under Commercial Registration No. 4030122667 dated 05/07/1418H (Corresponding to 6/11/1997G).

The table below shows the ownership structure of ASAS:

Exhibit 4-5: Shareholders of ASAS Health Care Company Ltd.

Shareholders	Ownership
Nazer Group Holding Co. Ltd	80.00%
Eng. Loay Hisham Mohiddin Nazer	20.00%
Total	100.00%

Source: BUPA Arabia

4-4-5 Modern Computer Programs Company Ltd. (“MCPC”)

MCPC is a Founding Shareholder of BUPA Arabia with shareholding interest of 5.00%.

It was registered in Jeddah under Commercial Registration No. 4030070267 dated 21/08/1410H (Corresponding to 19/3/1990G) with a paid up share capital of SAR 2 million. MCPC trades as “Infosol” and was established to engage in the wholesale and retail of computer software, hardware, spare parts and maintenance.

The table below shows the ownership structure of MCPC Ltd:

Exhibit 4-6: Shareholders of Modern Computer Programs Company Ltd.

Shareholders	Ownership
Nazer Group Holding Co. Ltd	98.00%
Eng. Loay Hisham Mohiddin Nazer	2.00%
Total	100.00%

Source: BUPA Arabia

4-4-6 Dr. Suliman Al-Habib Medical Centre (“Al-Habib Centre”)

Al-Habib Centre is a Founding Shareholder with shareholding interest of 2.50%..

Al-Habib Centre, a member of Al-Habib Group, was founded as a limited liability company by Dr. Suliman and Mohammed Al-Habib with a paid up capital of SAR 500,000 and registered in Riyadh under Commercial Registration No. 1010196728 dated 23/02/1425H (corresponding to 13/4/2004G). Al-Habib Group witnessed a rapid growth since its inception in 1994 and it provides quality local health care services to Saudi citizens reducing the need for medical treatment abroad.

The table below shows the ownership structure of Al-Habib Centre:

Exhibit 4-7: Shareholders of Dr. Suliman Al-Habib Medical Centre Company

Shareholders	Ownership
Dr. Sulaiman Abdulaziz Al-Habib	50.00%
Mohammed Abdulaziz Al-Habib	50.00%
Total	100.00%

Source: BUPA Arabia

4-4-7 Ahmed Mohammed Abdul Wahab Naghi & Sons Co. (“Naghi Co”)

Naghi Co is a Founding Shareholder with shareholding interest of 2.50%..

The Naghi Co was established in 1911 by Ahmed Naghi with a paid up capital of SAR 1.7 million and registered in Jeddah under Commercial Registration No. 4030002002 dated 26/02/1377H (corresponding to 21/09/1957G). The main business activities of Naghi Co are Pharmaceutical distribution.

The table below shows the ownership structure of Naghi Co:

Exhibit 4-8: Shareholders of Ahmed Mohammed Abdul Wahab Naghi & Sons Co.

Shareholders	Ownership
Ahmed Mohammed Abdul Wahab Naghi	80.00%
Mohammed Ahmed Mohammed Abdul Wahab Naghi	5.00%
Walid Ahmed Mohammed Abdul Wahab Naghi	5.00%
Ghada Ahmed Mohammed Abdul Wahab Naghi	2.50%
Najwa Ahmed Mohammed Abdul Wahab Naghi	2.50%
Hiyam Ahmed Mohammed Abdul Wahab Naghi	2.50%
Manal Ahmed Mohammed Abdul Wahab Naghi	2.50%
Total	100.00%

Source: BUPA Arabia

4-4-8 Ramez Mahmoud Al Halabi and Son Co. (“Al Halabi Co”)

Al Halabi Co is a Founding Shareholder with shareholding interest of 1.25%.

Al Halabi Co was founded in 1983 with a paid up capital of SAR 500,000 and was registered in Jeddah under Commercial Registration No. 4030043236 dated 28/07/1404H (corresponding to 30/04/1984G). The main business activities of Al Halabi Co include high tech services, system integration, IT solutions, internet and intranet, electronics, maintenance, communications, security and building management.

The table below shows the ownership structure of Al Halabi Co:

Exhibit 4-9: Shareholders of Ramez Mahmoud Al Halabi and Son Co.

Shareholders	Ownership
Ramez Mahmoud Al Halabi	90.00%
Mahmoud Ramez Al Halabi	10.00%
Total	100.00%

Source: BUPA Arabia

4-4-9 MADAF Trading and Contracting Co. Ltd. ("MADAF")

MADAF is a Founding Shareholder with shareholding interest of 1.25%.

MADAF Trading and Contracting Company was founded in 1998 with a paid up capital of SAR 2 million and was registered in Riyadh under Commercial Registration No. 1010154943 dated 25/04/1420H (corresponding to 07/08/1999G). MADAF specialises in telecoms contracting with additional interests in power and construction.

The table below shows the ownership structure of MADAF:

Exhibit 4-10: Shareholders of MADAF Trading and Contracting Co. Ltd.

Shareholders	Ownership
Al-Mushil Group Trading Co. Ltd.	95.00%
Yaser bin Hasan Mohamed Al-Mushil	5.00%
Total	100.00%

Source: BUPA Arabia

4-5 Direct and Indirect Interest of the Company's Shareholders

Exhibit 4-11: Direct and Indirect Interest of the Company's Shareholders

Shareholder	Direct Interest	Indirect Interest	Total	Source of Indirect Interest
BUPA Middle East Holdings W.L.L	22.50%	Nil	22.50%	N/A
BUPA Investments Overseas Ltd.	15.00%	11.25%	26.25%	Owns 50% of BMEH
Nazer Group Holding Co. Ltd.	5.00%	20.15%	25.15%	Owns 50% of BMEH, 80% of ASAS, and 98% of MCPC
ASAS Health Care Company Ltd.	5.00%	Nil	5.00%	N/A
Modern Computer Programs Company Ltd.	5.00%	Nil	5.00%	N/A
Dr. Suliman Al-Habib Medical Centre	2.50%	Nil	2.50%	N/A
Ahmed Mohammed Abdul Wahab Naghi & Sons Co.	2.50%	Nil	2.50%	N/A
Ramez Mahmoud Al Halabi and Son Co.	1.25%	Nil	1.25%	N/A
MADAF Trading and Contracting Co. Ltd.	1.25%	Nil	1.25%	N/A
Public	40.00%		40.00%	
Total	100.0%		100.00%	

Source: BUPA Arabia

4-6 Direct and Indirect Interest of Board of Directors and Key Executives in the Company

Exhibit 4-12: Direct and Indirect Interest of the Company's Shareholders

Shareholder	Direct Interest	Indirect Interest	Total	Source of Indirect Interest
Eng. Loay Hisham Nazer	Nil	13.71%	13.71%	Own 50.14% of Nazer Group, 20% of ASAS, 2% of MCPC
Tal Hisham Nazer	Nil	2.09%	2.09%	Own 8.31% of Nazer Group
Benjamin David Jemphrey Kent	Nil	Nil	Nil	N/A
Dr. Damien Vincent Marmion	Nil	Nil	Nil	N/A
William Stephen Ward	Nil	Nil	Nil	N/A
Aamer Abdullah Alireza	Nil	Nil	Nil	N/A
Eng. Zuhair Hamed Fayez	Nil	Nil	Nil	N/A

Source: BUPA Arabia

Except as mentioned above, none of the Board of Directors and key executives of BUPA Arabia has any direct or indirect interest in the Company as of the date of the Prospectus.

4-7 Vision and Mission Statement

Quality of life is an aspiration for everyone, a core objective of which is achieving and maintaining good health. BUPA Arabia's vision is to care for every individual and to provide choice and quality health and care to help people enjoy healthier lives.

Vision

"To take care of the lives in our hands"

Mission

"To help people live longer, healthier, and more productive lives"

4-8 Business Strategy

After completing the Acquisition, the Company plans to target the health insurance market in succession to BME and to build on the experience of the business gained whilst operating as BME.

BUPA Arabia will offer a range of medical insurance schemes in accordance with the level of cover mandated by the CCHI and also to meet changing demands in the market. It will also enable customers to enhance their cover by selecting from a range of additional benefits.

To achieve planned growth targets, BUPA Arabia will seek to manage its resources efficiently and effectively; invest in technology where necessary; and adopt best practices.

BUPA Arabia aims to become a leading health care company in Saudi Arabia. It will seek to ensure regulatory compliance in its range of medical insurance schemes and to bring customers access, choice and quality service in its provider networks. With continued regulatory expansion of the expatriate insurance market, BUPA Arabia will focus on profitable growth, continually streamlining processes and increasing its operational capacity while striving for continuous improvement in customer attraction and retention.

4-9 Competitive Advantages

On completion of the Acquisition, the Company will have a number of strong attributes, which the key management expects to translate into sustainable competitive advantages and superior profitability relative to its competitors in the health insurance market. These competitive advantages include:

4-9-1 Experienced Management Team and Staff

BUPA Arabia's greatest asset will be its people. BME's business, which is the subject of the Acquisition by BUPA Arabia, is led by a highly experienced management team supported by quality staff whose proven track record with BME has delivered significant growth in customers, revenue and profitability. It is the management's determination and vision to define innovative strategies that set and then raise the industry standards to a higher level that will differentiate them from the competition. BUPA Arabia will inherit this team on completion of the Acquisition and intends that this management team will continue to focus on breadth as well as depth of knowledge and draw on its years of experience in the insurance industry. BUPA Arabia's people will be dedicated to ensure its continued success and deliver unparalleled service to clients and create long-term value for future shareholders. BME is recognized in 2007 as one of the best employers in the Saudi market through a survey conducted by Al Eqtisadiyah newspaper²⁶.

4-9-2 Integrated Information Technology Systems

BUPA Arabia's strategy is to use technology whenever appropriate to improve its service and efficiency. Through its Acquisition of BME, it will position itself as a leading health insurance company. BME's main systems include a purpose built core operating system to manage all insurance related activities; a web based self service system that provides online customer service; a comprehensive management information tool; an up to date financial system; and a leading edge call centre system. These systems are tailored to support a customer driven and rapidly growing business. Its use of innovative technology was recognised in 2006 when BME won the eBusiness award at the Insurex conference in Dubai.

As a key business resource, technology exists to help the business meet its objectives. With this in mind, BME's IT department works closely with all its customers to ensure that systems and processes are designed to deliver business requirements efficiently. The Company intends this level of service to continue after the Acquisition.

4-9-3 International Health Care Experience

Health insurance and associated health care services are complex businesses involving development of strategic relationships with attending medical professionals and provider organisations.

Through its links with the BUPA Group, BUPA Arabia has access to a wealth of international health care experience. As one of the world's largest providers of international expatriate health insurance, and winner of the "Best International Private Medical Insurer" at the Health Insurance awards in London on 19 October 2006, BUPA can provide invaluable support to BUPA Arabia.

As a specialist operator in health and care, with a wealth of experience in the health insurance market both locally and internationally, BUPA has distinctive competence in building and managing health insurance businesses globally.

4-9-4 Specialization in Private Medical Insurance

On completion of the Acquisition, it is contemplated that BUPA Arabia will, as a successor to BME's insurance business, be the only specialised international health insurance company operating within the Kingdom. BUPA Arabia will benefit from BME's specialisation and resources after the Acquisition.

4-9-5 Renowned Founders

The Founding Shareholders of the Company are experienced and respected names many of them with interests in the health care and insurance markets who could add further value to the Company's operations and help achieve its strategic objectives.

4-9-6 Established Client Base and Market Share

Subject to completing its planned Acquisition of BME, once officially established, the Company is expected to enjoy the benefit of a wide client base and significant market share. BME provides medical insurance to over 1,000 corporate members as of 30 September 2007 in Saudi Arabia. These corporate clients are major players in various industries, ranging from banking and finance, manufacturing, telecommunications and IT, retail and services to construction and petrochemicals. Based on its business plan, BUPA Arabia will acquire a strong presence in the medium and small enterprise segment of the economy.

While there is no accurate measurement of respective medical insurers' market shares, the Company believes that it will be, as a successor to BME, one of the leading companies in the market with an estimated market share of 18% in 2006.²⁷

²⁶ Source: Al Eqtisadiyah newspaper issue no. 5075 dated 3/9/2007 "BME one of the best 10 Work Environments"

²⁷ According to The Saudi Insurance Market Survey Report by SAMA (2005-2006), Gross Written Premium in health insurance was estimated at SAR 2,222 m. BME Gross Written Premium of SAR 414 M in 2006 equate to 18% Market Share.

4-9-7 Strong Relationships with Health Care Providers

During 10 years of business, BME has developed strong relations with a network of over 300 hospitals and clinics across the country. After the Acquisition and when the business of BME transfers to BUPA Arabia, BUPA Arabia will benefit from this network.

The professional relationships built with the national network of providers will help to further develop the business and create a platform for continued growth.

Health care providers have always supported and recognized BME as a customer whom they can work closely with. This strong working relationship is greatly valued by BUPA Arabia which, as successor to the BME business, will aim to build on established partnerships.

As testament to BME's standing in the market, the Jeddah Chamber of Commerce named BME as the top Insurance Company in the market for 2005.²⁸

4-9-8 Customer Service Culture

Central to the Company's philosophy is a commitment to its customers. This commitment is monitored through a range of internal measures designed to evaluate business performance and customer satisfaction. Staff incentive schemes have also been designed around customer satisfaction and target attributes such as responsiveness to customers' queries and the speed of problem resolution.

The operations team of BME that will be transferred to the Company following the Acquisition focuses on all aspects of service delivery which impact customers and is dedicated to delivering quality customer service. Staff undergo extensive training and are provided with the latest technology to assist them deliver enhanced customer service.

BME regularly reviews its business systems and processes to provide efficiencies and process improvements. To support its philosophy of serving its clients, BME puts clients first and takes pride in taking care of their lives. In June 2007, BME won "Best Call Quality" Award in the Middle East, an event organized by INSIGHT in UAE. This award further demonstrates the level of dedication and commitment shown by the customer service team. The Company will benefit from BME's ability to implement this client driven philosophy after the Acquisition.

²⁸ This Award was presented by the Health Committee of the Jeddah Chamber of Commerce and Industry.

5 The Acquisition

Following the completion of the Offering and the conclusion of the Constituent General Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of incorporation of the Company. The Company will be considered duly incorporated as a joint stock company from the date of issuance of the Resolution of the Minister of Commerce and Industry declaring its incorporation.

After completing all official procedures for incorporation and receiving its commercial registration certificate, BUPA Arabia will acquire BME together with its Saudi insurance portfolio and operations at the earliest opportunity. Completing the Acquisition will yield an established membership base, revenue stream, medical provider network, systems infrastructure and an experienced, trained workforce.

The Company's Board of Directors and BME's owners have agreed to sign a memorandum of understanding recording their common understanding of the principal terms on which the Acquisition will be concluded and any transitional services that may be provided by ASAS once the necessary regulatory consents have been obtained. The memorandum of understanding is summarised in (the "Legal Information") section of the Prospectus.

When the Acquisition is completed the Company will become the sole owner of BME and its Saudi insurance portfolio and will have the benefit and burden of all the premiums, insurance policies, assets, rights and liabilities of BME.

BME's insurance portfolio will be valued in line with SAMA's guidelines. That includes appointing Manar Sigma Financial Services as independent actuaries to ensure the adequacy of reserves; Ernst & Young as independent accountants to conduct the financial due diligence; and Deloitte & Touche as independent accountants to issue the estimated BME value using the SAMA template²⁹, the findings from Ernst & Young and Manar Sigma Financial Services.

The following is a brief overview of BME and its historical operations in the Kingdom:

5-1 BME

BME started its business in Saudi Arabia in 1997 through a sole agency agreement with ASAS. BME was registered on 25/5/1418H (corresponding to 27/09/1997G), as an exempt company, in Bahrain, under commercial registration number 39161-01. BME is a joint venture between Nazer Group and BIOL, a fully owned subsidiary of BUPA.

Over the past 10 years, BME has developed its reputation in Saudi Arabia for quality and value for money in the health insurance market.

5-2 BME Historical Performance

Exhibit 5-1: BME Financial highlights (SAR Million)

	2004	2005	%Change	2006	% Change
Earned Premium	164.5	215.2	30.8%	325.0	51.0%
Claims Paid	135.7	178.1	31.2%	272.6	53.0%
Contribution	28.8	37.1	28.8%	52.4	41.2%
Costs	29.4	35.0	19.0%	42.1	20.2%
Net profit before tax & Interest	-0.6	2.1	45.0%	10.3	39.04%
Less :Policy Holders Cooperative distribution	-	-	-	-	-
Profit attributable to Shareholders	-0.6	2.1	450.0%	10.3	39.04%
Interest	2.6	4.9	0.88%	10.7	118.4%
Net profit before tax	2.0	7.0	25.0%	21.0	200.0%
Net profit ratio before tax	1.2%	3.3%		6.5%	

Source: BME Audited Financial Statements

²⁹ The SAMA pro forma spreadsheet used in the valuation process.

BME has experienced considerable growth over the past three years. Its earned premiums have increased from SAR 164.5 million in 2004 to SAR 325.0 million in 2006. With corresponding claims paid figures of SAR 135.7 million and SAR 272.6 million over the same period, contribution to costs has grown from 28.8 million in 2004 to 52.4 million in 2006. Throughout this period the business has maintained a strong focus on its customers whilst pursuing a strategy of profitable growth. As a result top-line growth has been translated into a marked improvement in profitability. Overall the net profit ratio (before tax) has improved from 1.2% in 2004 to 6.5% in 2006.

BME's focus on customer satisfaction has attracted new customers whilst improving its persistency on its existing customer base. Over the period the business has invested in improving its customer experience. This has involved investing in training and development of its staff, introducing new customer facing systems, such as web based preauthorisation and through a sophisticated pricing model and claims management system managing its premiums and claims costs.

BME's largest single cost is the amount which it pays to its hospitals and polyclinics. The business has introduced a range of new activities to better manage the claims costs it incurs from its hospitals and polyclinics. These include; increasing the amount of resource in the provider team; introducing the principle of roving doctors; improving the quality of claims processing by uploading hospital data electronically through e-claims and improving the analysis of claims data.

Exhibit 5-2: Claims Paid and Costs as a Percentage of Earned Premiums

	2004	2005	2006
Claims Paid Ratio	82.5%	82.8%	83.9%
Costs Ratio	17.9%	16.3%	13.0%

Source: BME Audited Financial Statements

Claims cost management has remained a priority focus in the business and this is illustrated by the maintenance of the claims paid ratio in the range of approximately 83-84% between 2004 and 2006.

Cost management and control combined with ongoing process efficiency improvements has enabled the business to improve its cost ratio year on year reducing the costs as a percentage of earned premium from 17.9% in 2004 to 13.0% in 2006. This represents an improvement of 26.0% over the three year period. This has been achieved through both leveraging economies of scale and improving underlying business efficiency.

Throughout this period BME has improved its cash and treasury management. This has been supported by an efficient billing system together with disciplined debt management. These factors together with top-line growth have enabled BME to more than treble its investment income since 2004.

Exhibit 5-3: BME Net Fixed Assets (SAR Million)

	2006	2005	2004
Net Fixed Assets	10.3	8.3	7.9
Growth Rate	24.1%	5.1%	33.9%

Source: BME Audited Financial Statements

BME has invested in its computer systems over the last three years and as at 31 December 2006 more than 80% of the total fixed assets are computer applications. For example, BME replaced its core insurance and claims management systems in 2004 and its financial system in 2006. It has also developed new web based systems such as web based pre-authorisation of member claims. Investment in infrastructure and systems has continued in 2007. BME has expanded its Jeddah head office and also relocated its Riyadh office to larger premises to support business growth.

5-3 Approvals for Acquisition

Following its official formation, the Company will acquire BME in accordance with an agreement to be entered into on terms consistent with the memorandum of understanding described in (the "Legal Information") section of this Prospectus and with a portfolio valuation to be approved by SAMA and the relevant authorities in Bahrain.

The Acquisition will be subject to shareholders' approval who will be asked to vote on the matter at a general assembly after obtaining the relevant authorities' approvals to affect the Acquisition. Information relating to the proposed Acquisition by the Company will be made available for shareholders during the relevant general assembly.

5-4 Ceasing the Agency Agreement

The existing agreement under which ASAS acts as agent for BME will terminate on completion of the Acquisition. However, the respective owners of BME and ASAS have agreed in principle in the Memorandum of Understanding (as referred to in the “Legal Information” section of this Prospectus) that ASAS may continue to provide the services it currently provides to BME on a transitional basis to BME and the Company for a limited period after the Acquisition but otherwise on the same terms as currently in force.

ASAS will cease to write insurance business as agent for BME with effect from the effective date of the transfer of BME’s insurance portfolio to the Company following the Acquisition provided that SAMA has issued the Company with the necessary licence in order for it to carry on activities as an insurer. Please refer to “Agreements with Related Parties” section of the Prospectus.

5-5 Financing the Acquisition

The Company will finance the Acquisition and relevant costs and fees using its paid up capital of SAR 400 million which consists of SAR 160 million to be raised through the Offering in addition to the Founding Shareholders’ contribution of SAR 240 million. The Company will seek to maintain the minimum required share capital after completing the Acquisition and will seek to raise additional capital should it be required.

6 Products and Services

Following the Acquisition, it is expected that BUPA Arabia will be the only international insurance Company in Saudi Arabia specialising in Private Medical Insurance. BME was established in 1997 as a joint venture between the Nazer Group and BIOL.

The Company will design its health insurance policies in accordance with the Cooperative Health Insurance Act ("Health Insurance Act") guidelines which includes coverage of basic health services. In addition, the Company will provide customized insurance policies through its wide network of health care providers in Kingdom and the region. This flexibility helps clients to design customized schemes which suit their needs.

6-1 Cooperative Health Insurance Act

In 27/4/1427H (corresponding to 11/8/1999G), the Council of Ministers passed resolution No. 71 announcing the introduction of mandatory health insurance for all expatriates employed in Saudi Arabia. The resolution announced the formation of the Council of Cooperative Health Insurance the main objective of which is the implementation of the Cooperative Health Insurance Act in the Kingdom. The CCHI was officially established in 1/1/1422H (corresponding to 26/3/2001G).

Pursuant to Article 1 of the Health Insurance Act, the aim is to regulate the provision of health care for non-Saudi residents in the Kingdom.

Furthermore, Article 7 of the Health Insurance Act stipulated that the cooperative health insurance policy shall cover basic health services.

Following the Acquisition and after obtaining the necessary licence from SAMA, BUPA Arabia will be offering a range of health insurance products to meet customer demand and the basic benefits set by the CCHI ("Standard Benefits"), in addition to optional benefits ("Optional Benefits") for clients requiring additional levels of cover.

6-2 Product and Service Features

6-2-1 Flexibility of Choice

BUPA Arabia's standard health care cover will be in accordance with the cover mandated by the Council of Cooperative Health Insurance. However, customers may choose a specific health care solution that suits their individual requirements. Customers will have the flexibility to choose from different health care scheme levels, different health care provider networks and a range of optional benefits (subject to the Acquisition of BME).

6-2-2 Innovative Services

It is envisaged that BUPA Arabia will support all its schemes with a range of innovative services that make working with BUPA Arabia convenient as well as efficient. These services include:

- ▶ 24/7 access to a bilingual customer care helpline;
- ▶ Online pre-authorization providing an average response rate of 95% within 15 minutes and 98% within 30 minutes;
- ▶ Online facility for adding or deleting scheme members;
- ▶ Online ability to track reimbursement claims;
- ▶ Online access to print membership certificates;
- ▶ Short Message Service (SMS) to confirm receipt of pre-authorization, reimbursement claims, and new enrolled members.

6-2-3 Expertise in Health Care

Following the Acquisition, it is expected that the Company will be the only international insurer in Saudi Arabia exclusively focused on health care. Customers of BUPA Arabia can be assured that the Company will strive to maximize the benefit to its members. BUPA Arabia understands the importance of:

- ▶ Excellent customer care;
- ▶ Providing a comprehensive communication process for both members and clients;
- ▶ Operating to tightly controlled Key Performance Indicators providing details for service speed and efficiency;
- ▶ Offering on demand service and scheme performance reports to clients.

6-2-4 Building Long Term Partnership

BUPA Arabia's partnership with clients and members will be built on mutual respect and trust. It relies on open channels of communication and advocates transparency. These corporate values will assist BUPA Arabia in developing long term partnerships with its clients after the Acquisition.

6-3 Product Types

6-3-1 Standard Benefits

BUPA Arabia's standard benefits satisfy the basic health services required by the CCHI. BUPA Arabia will provide quality primary, secondary and tertiary services and in addition, clients will be able to increase the extent of hospital coverage and insurance benefits if required. BUPA Arabia reserves the right to apply exclusions to client benefits as part of any agreement for cover (subject to the CCHI guidelines).

The following table summarizes the Standard Benefits offered by the Company which comply with the level of cover mandated by the CCHI:

Exhibit 6-1: BUPA Insurance Standard Benefits

Criteria	Extent of Cover
Overall Annual Cover per member	SAR 250K
In-patient / day-case coverage: Medical treatment, surgical and medical procedures, doctor's and nursing fees, emergency, intensive care unit and theatre charges, and medication	Covered
Accommodation	Variable (shared room up to standard suite)
Companion charges (up to 12 yrs old)	Covered
Deductible	Nil
Out-patient coverage: Medical treatment, consultation including general practitioner & specialist, prescribed medication, chemotherapy, radiography, pathology and radiology, laboratory exams and other diagnostic procedures	Covered
Out-patient Deductible	Variable - percentage up to 20% or flat up to SAR 100
Network of Providers	Variable – can choose from 8 different levels
Maternity Option Sub-limit (Normal delivery & antenatal care)	Variable limit from SAR 10,000 per annum
Maternity complications (if maternity is covered)	Covered
Neonatal cover (if maternity is covered)	Covered from Day 1
Treatment of premature babies (if maternity is covered)	Covered
Dental Sub-limit	Covered with variable limit from SAR 2,000
Optical Sub-limit	Covered with variable limit from SAR 250
Pre-existing conditions & chronic diseases	Covered up to the maximum limit
Hearing aids Sub-limit	Covered with variable limit from SAR 1,500
Physiotherapy when medically needed	Covered
Congenital conditions for new born babies	Covered
Dialysis	Covered
Vaccinations per MOH	Covered as per MOH timetable and up to the age of 3

Criteria	Extent of Cover
Vaccinations per health world organisation	Not Covered
Emergency evacuation outside Saudi Arabia to the nearest medical facility with the assistance of International SOS	Not Covered
Emergency treatment of life threatening cases outside the Approved Network in Saudi Arabia	Covered up to 100% of the actual cost
Emergency treatment outside Saudi Arabia	Not Covered
Elective treatment outside the Approved Network in Saudi Arabia	Not Covered
Local road ambulance in Saudi Arabia	Covered through Saudi Red Crescent or the Approved Network in Saudi Arabia
Transfer of remains of decedents in Saudi Arabia to home country	Covered up to SAR 10,000

Source: BUPA Arabia

6-3-2 Optional Benefits

As part of its commitment to offer a wide range of health insurance coverage, BUPA Arabia will offer Optional Benefits in addition to the basic/minimum cover mandated by the CCHI (Please refer to Exhibit 6-1). Clients may choose to add the following Optional Benefits to their medical schemes:

Elective Treatment Outside the Approved Network in Saudi Arabia

This option allows clients to seek treatment as in-patient, day-case or out-patient outside of the approved medical network.

Elective Treatment Outside Saudi Arabia

This option allows clients to seek elective treatment outside Saudi Arabia.

Emergency Treatment Outside Saudi Arabia

This option provides clients with medical cover during emergencies outside Saudi Arabia.

Emergency Evacuation Benefit

This option provides clients with emergency evacuation benefit for life-threatening situations while outside Saudi Arabia provided that the necessary treatment is not locally available. BUPA Arabia, through arrangements with 3rd parties can transfer the member to the nearest medical facility for the required treatment.

Standard Benefit Cover Upgrade

This option allows clients to increase the sub-limits of the Standard Benefits such as maternity, dental, and optical.

Hospital Room Accommodation Upgrade

This option allows clients to upgrade their room accommodation benefit from shared rooms (as set by the CCHI standards) to private rooms or suites.

Cover for Non-Covered Condition

The CCHI excluded certain medical conditions from the standard insurance schemes. However, the Company's business model will allow clients to tailor their health cover to meet specific requirements. Creating the opportunity for clients to design their schemes stems from the Company's belief that different clients possess varying needs, budget and circumstances.

6-4 How Schemes Work

6-4-1 Full Membership Pack for All Members

Before the scheme starts, all members receive a full membership pack containing their membership card, scheme booklet, table of benefits and a list of their approved network providers.

6-4-2 Relationship Executive

Upon the commencement of the scheme, BUPA Arabia will designate a dedicated relationship executive to guide the client through the scheme. Relationship executives will act as the point of contact at BUPA Arabia to ensure clients are served on a timely basis. In addition, relationship executives will render immediate assistance to clients and answer any questions they may have regarding the scheme.

6-4-3 Direct Settlement at Network Providers

When medical care is needed, the member attends one of the approved network providers and presents BUPA Arabia's membership card. With the exception of a small contribution towards the cost of treatment, as would be specified in the insurance policy, all other relevant costs will be settled directly by BUPA Arabia.

6-4-4 Pre-Authorisation Process

Once at the hospital or clinic, there may be treatments or medications that require pre-authorization from BUPA Arabia. Hospital and clinic staff will obtain this pre-authorization on behalf of beneficiaries.

6-4-5 Online Approval Process

BUPA Arabia will employ an online pre-authorization process in the majority of its networked hospitals and clinics to deliver a fast and convenient service to BUPA Arabia members.

6-4-6 Reimbursement Process

Should an emergency necessitate a member to seek treatment outside the approved network providers, or he/she opts to have elective treatment (if covered by the out of network treatment option) he/she will be refunded up to 100% of the actual cost incurred by filling a reimbursement claim with BUPA Arabia.

6-4-7 Operational Support

BUPA Arabia will provide customer service 24 hours a day, 7 days a week. Whatever the members of BUPA Arabia require, from pre-authorization requests, to queries about entitlement or emergency assistance, there is always a member of staff willing to respond.

With leading edge technology, BUPA Arabia also will provide customers with secure access to on-line systems to manage membership details, follow up on preauthorization requests, track reimbursement claims and review scheme benefits.

6-5 Distribution Channels

The expected growth of the market will require insurance companies to develop new and innovative distribution channels to bring products and services quickly and efficiently to market.

With the number of insured members set to grow significantly in the next few years, BUPA Arabia will balance new business acquisition with management of the existing client base.

BUPA Arabia will benefit from personal referrals from both industry colleagues and providers and will seek to capitalise on its ability to market to both clients and health care providers.

BUPA Arabia's distribution strategy will include the following channels:

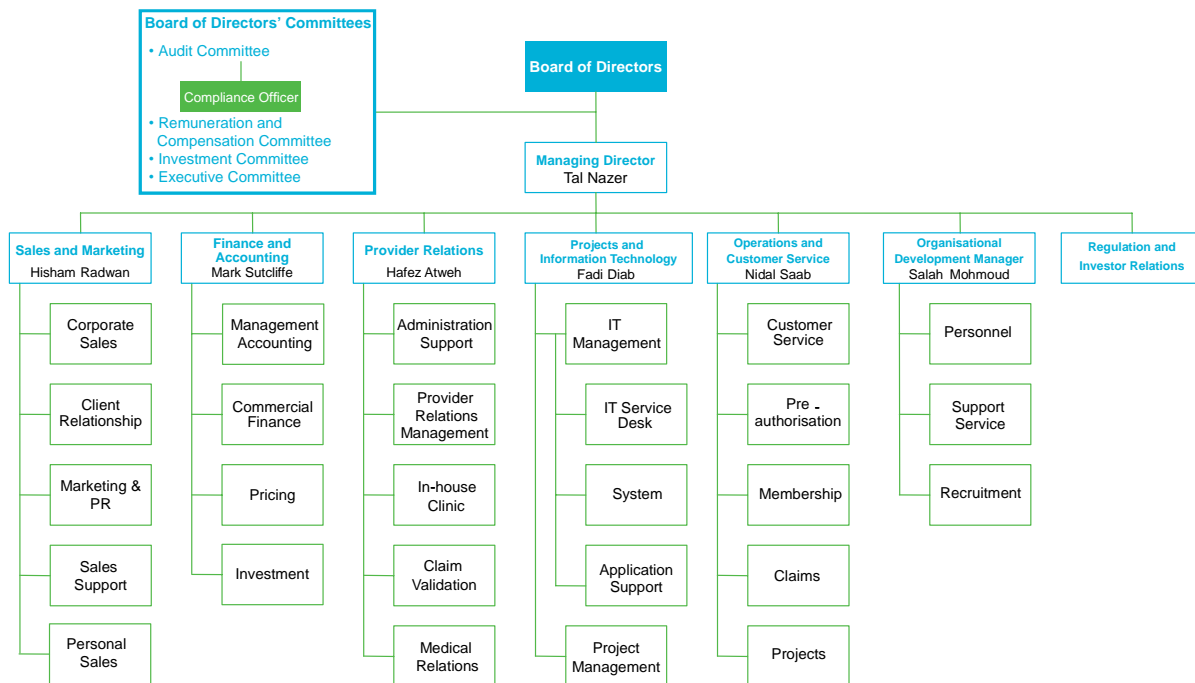
- ▶ An in house sales and direct marketing team;
- ▶ Specific agreements with brokers and intermediaries to build on their existing portfolios;
- ▶ Sales alliances with other non Private Medical Insurance ("PMI") insurers to build partnerships with clients;
- ▶ Capitalize on positive client relationships and high customer satisfaction to attract new clients.

7 Operational and Support Functions

7-1 Proposed Organisational Structure

The following chart illustrates BUPA Arabia's proposed organisational structure:

Exhibit 7-1: Organisational Structure



Source: BUPA Arabia

To meet the organisational objectives, BUPA Arabia's business will be structured around a number of departments. The following sections outline the roles and responsibilities of each:

7-2 Sales and Marketing Department

The Sales and Marketing department will be comprised of the following divisions: Corporate Sales, Client Relationship, Marketing & PR, Sales Support and Personal Sales. The key responsibility of the Sales and Marketing department will be winning new and renewals business from a broad customer base and managing existing health care schemes. The corporate division will focus on businesses with over 100 employees while retail will target small corporate businesses and individuals. The department will have its main sales office in Jeddah and satellite offices in Riyadh and the eastern province which will ensure a kingdom wide coverage and service.

BME's Personal Sales division, that will be acquired by the Company, has grown significantly and is staffed by Saudi females trained to understand the needs of the market and small companies.

The marketing team will support corporate and personal sales by designing appropriate marketing campaigns to target client groups. The marketing team will also be responsible for the development of all member, client and provider communications such as membership packs, product publicity material, and general correspondence.

7-3 Provider Relations Department

The Provider Relations department will focus on establishing a network of approved hospitals and polyclinics in the Kingdom of Saudi Arabia and the Middle East to provide quality health care services to members at a reasonable price. The department will be staffed by qualified medical professionals who will review the medical treatment provided to the Company's insured members.

The department will also be responsible for controlling medical costs, reconciling provider accounts on a timely basis, managing the claim validation unit and in house clinics. Providers will be encouraged to make use of the online facilities to check benefit cover and process pre-authorizations as well as accessing a range of provider information reports giving details of claim utilization rates, units costs, and billing trends.

7-4 Operations and Customer Service Department

BME's Operations and Customer Service department, which will be acquired by the Company, provides day to day support to members and is resourced by more than 141 staff as of 30 September 2007. The department deals with all aspects of the businesses interaction with members. For example, the department processes all new membership enrolments and changes to membership details and works closely with the Sales support team. Distribution of membership cards and membership packs is also managed by this department as is the on-line and manual pre-authorization process.

When members submit a claim form, it is the Operations and Customer Service department who process it and respond to any customer feedback whether received verbally via the call centre or in writing.

The department aims to deliver first class customer service and puts the customer at the centre of its operations, actively monitoring its customer satisfaction targets.

7-5 Projects and Information Technology Department

The Projects and IT department will manage two main activities namely major project implementations and the information technology service.

The former aims to deliver business requirements on time and within budget by applying project management best practices and techniques. The latter is focussed on ensuring the Company's technology supports business needs.

The department provides BME and, after the Acquisition, will provide the Company with the information technology service to cope with growth, increase efficiency, and improve customer satisfaction. That includes updating business systems and increasing systems' resilience to meet customer needs. The department regularly reviews hardware and software configurations to ensure that systems are operating at their optimal level.

7-6 Finance and Accounting Department

With its extensive experience of Saudi Arabian health insurance to be inherited from BME, the Finance and Accounting department will provide focused internal and external support services to the business. This includes the ongoing establishment, monitoring and development of the strategic plans of the business and the timely reporting of financial achievements to all shareholders and regulators.

Through robust and up to date pricing models, the finance department's pricing team ensures that the pricing of all schemes is in accordance with the company's pricing policy as well as the regulatory health insurance framework of Saudi Arabia.

BME upgraded its core insurance operating systems in late 2004 and its financial systems in late 2006. This will help BUPA Arabia, after the Acquisition, ensure that its business has the most up to date management information to enable accurate and informed decision making.

Through robust processes and procedures, the Finance and Accounting department of BME controls the business' expenditure and monitors risks which also includes ensuring that exposure to bad debts is minimised through adherence to BME's credit control policy. BUPA Arabia will acquire and benefit from these processes and procedures following the Acquisition.

7-7 Organisational Development Department

The Organisational Development department will manage aspects relating to recruitment, retention and development of staff within the business with particular emphasis on Saudization targets. The Company will adopt efficient recruitment processes to ensure that staffing resources are in place to meet the growing demands of the market.

7-7-1 Saudization Plan

The objective of Saudization within BUPA Arabia will be:

“To develop and deploy Saudi nationals in order to increase their numbers and skills in a carefully controlled manner”.

The Company will be committed to increase the number of Saudis at any level within the organisation and increase the skills of Saudis to enable them to assume more senior positions. The objective of the Saudization plan is also to recognize the potential risks of this endeavour by ensuring that it will be done in a carefully controlled manner.

The following table summarizes the planned staffing level of the Company upon commencing its operations and after the Acquisition:

Exhibit 7-2: BUPA Arabia Employees as of 1/1/2008

Cluster	Saudi	Non-Saudi	Employees	Saudi %
Senior Management	1	6	7	14.29%
Sales and Marketing	48	35	83	57.83%
Finance and Accounting	3	14	17	17.65%
Provider Relations	3	12	15	20.00%
Projects and Information Technology	1	7	8	12.50%
Operations and Customer Service	52	89	141	36.88%
Organisational Development	7	7	14	50.00%
Total	115	170	285	40.35%

Source: BUPA Arabia

The Company expects to commence its operations with an estimated Saudization rate in excess of 30%. The medium term Saudization plan of the Company is to achieve a yearly growth rate of approximately 5%.

7-8 Regulation and Investor Relations Department

When established, the Regulation and Investor Relations department will monitor compliance with relevant rules and regulations and will communicate fully with shareholders regarding their investment. Through an efficient and effective communication strategy, the department will aim to enhance the Company's corporate value.

8 Corporate Structure

8-1 Proposed Board of Directors

The Company's Board of Directors will consist of 8 members for a term not exceeding three years commencing from the date of the ministerial resolution announcing the incorporation of the Company. The board is composed of competent and experienced members who bring a mix of international and local experience. The names and resumes of the proposed board members are shown below:

Exhibit 8-1: BUPA Arabia Board of Directors

Name	Position	Representing	Nationality	Age	Direct Shareholding in the Company ³⁰	Independent	Executive
Eng. Loay Hisham Nazer	Chairman	Nazer Group Holding Co. Ltd	Saudi	42	None (represented shareholder owns 5%)	No	No
Tal Hisham Nazer	Managing Director	Nazer Group Holding Co. Ltd	Saudi	33	None (represented shareholder owns 5%)	No	Yes
Benjamin David Jemphrey Kent	Director	BUPA Investments Overseas	British	42	None (represented shareholder owns 15%)	No	No
Dr. Damien Vincent Marmion	Director	BUPA Investments Overseas	British	41	None (represented shareholder owns 15%)	No	No
William Stephen Ward	Director	BUPA Investments Overseas	British	46	None (represented shareholder owns 15%)	No	No
Aamer Abdullah Alireza	Director	Public	Saudi	37	None	Yes	No
Eng. Zuhair Hamed Fayez	Director	Public	Saudi	65	None	Yes	No
To be appointed in the Constituent General Assembly	Director	Public	Saudi	-	None	Yes	No

Source: BUPA Arabia

The proposed secretary of the board of directors is Mark Sutcliffe, holding the British nationality. He does not own any of the Company's shares as of the date of the Prospectus. For a summary of Mark Sutcliffe's resume, please refer to "Resumes of Senior Management" section of the Prospectus.

8-2 Resumes of Board Members

Eng. Loay Hisham Nazer, Chairman, is the Founder and Chairman of the Nazer Group and was elected to serve for the year 2006-2007 as Chairman of the International Board of Directors of the Young Presidents Organisation, a global non-profit organisation of Chairmen and CEOs under the age of 50. He was also selected by the World Economic Forum as a member of the Young Global Leaders.

³⁰ For detailed ownership structure of the Company and direct and indirect shareholdings, please refer to the "Company" section of the Prospectus

Eng. Nazer was elected and continues to serve as the Vice Chairman of the National Insurance Committee at the Saudi Chamber of Commerce in 2003. He is also a member of the Council of Cooperative Health Insurance. He also served as Vice Chairman of the International Relations Committee at the Jeddah Chamber in 2002. From 1995 to 1998, Eng. Nazer was a Board Member of the Harvard Institute for the Social and Economic Policy Board in the Middle East and was Chairman of its Executive Committee.

He lectures regionally on globalization and the impact on regional economic development. He has been quoted many times in the Western press on issues related to Saudi Arabia and has been interviewed on CNN's Business Today. Eng. Nazer received a Bachelor's Degree in Mechanical Engineering from the University of California in Los Angeles in 1987, followed in 1989 by his Master's Degree in Business Administration from the Anderson Graduate School of Management, University of California in Los Angeles.

Tal Hisham Nazer, Managing Director, prior to holding this position, Tal was the Customer Service & Operations Director for BME from April 2005 until December 2006. Before that, he worked for the National Commercial Bank from 2001 to 2002, ORYX CAPITAL from 1998 to 1999, and Merrill Lynch from 1997 to 1998. He has strong ties to the business community in Saudi Arabia and he is currently a board member in the following bodies: Jeddah Chamber of Commerce & Industry since April 2007; National Centre for Health Insurance Standards since 2003; and Arabian Medical Marketing Co. Ltd since 2006. He is also the Vice Chairman of the Nazer Group since 2006. Tal holds an MBA degree from Wharton School, Pennsylvania since May 2001 and a Bachelor degree in Economics from the University of California, Los Angeles in December 1996.

Benjamin David Jemphrey Kent, Director, is an Associate of the Institute of Chartered Accountants in England & Wales ("ICAEW") awarded 1991 and Finance Director of BUPA International Businesses since November 2007. His role gives him finance responsibility for BUPA's businesses in Spain, Australia, Hong Kong, Thailand, Saudi Arabia, Denmark, and the US, as well as BUPA International (BUPA's expatriate insurer) and China (BUPA's Representative Office). Ben is also a Board member of BUPA International Insurance Services Ltd, and was the BUPA Group Financial Controller for 2 years from 2005 to 2007, before moving to BUPA International Businesses. Prior to joining BUPA, Ben was Divisional Finance Director for Associated British Foods Co Plc from 2002 to 2004. Ben graduated from Oxford University with a Master of Arts (MA) in Mathematics in 1987.

Dr. Damien Vincent Marmion, Director, qualified as a doctor in 1991 from University College and Middlesex Hospital School of Medicine London and obtained an MBA from the City University UK in 1994. Dr. Marmion has been the Managing Director of BUPA Asia Limited since 2003 and prior to relocating to Hong Kong, held the position of Development Director of BUPA International in the UK from 2000 to 2003. During his 9 years at BUPA UK, his key roles have included quality assurance in hospitals, health care purchasing and business development.

William Stephen Ward, Director, is the Chief Operating Officer of BUPA's International Businesses since 2006. He obtained the Company Secretary qualification (ACIS) in 1987 from the Middlesex Business School, Middlesex University, London. William has completed several Management and Executive Programmes offered by London School of Economics, London Business School and Wharton Business School, Philadelphia, USA.

Mr Ward was Managing Director, BUPA International from 1998 until 2005, with responsibility for BUPA International's worldwide trading activities, with offices in London, Brighton, Hong Kong, Chicago, Hartford, Dubai, Cairo and Malta.

Eng. Zuhair Hamed Fayez, Director, 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 now ranked with the most eminent consultancies in the world, and has offices in Jeddah, Riyadh, Dhahran and Cairo.

He is a member of the Provincial Council of Makkah Region for four years until 2009. He is currently the Chairman of the Board of Trustees of Dar Al-Hekma Private College for Girls in Jeddah; and he is also a member at 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.

He was appointed to the membership of the 1st Session of the Consultative Council of Saudi Arabia in 1993. He received his bachelor's and master's degrees in architecture from the University of Colorado in 1970 and 1971 respectively.

Aamer Abdullah Alireza, Director, is the Managing Director of the Services Group at the Xenel Group of Companies since 2003 and a member of its Board of Directors. He 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 (SISCO), a Saudi Joint Stock company since 2003, in addition to being a board member at SAMA Airlines since 2006.

Prior to this, Aamer worked for OILspace in the capacity of Managing Director of Marketing for the Middle East Operations from 2000 to 2003 and prior to that held a number of positions at Chevron Overseas Petroleum, including Marketing Manager and Business Development Manager.

He graduated from Pitzer College in California with a B.A. in Economics and Political Science in 1994. He had also joined various management Executive programs at the University of California - Berkley, Harvard, and Stanford Universities in 1996, 2000 and 2003 respectively.

8-3 Senior Management

Following the Acquisition, the management team of the Company will consist of qualified personnel with extensive experience of the health insurance market within Saudi Arabia and elsewhere. Upon formation of the Company and once the contemplated Acquisition of the Saudi insurance portfolio of BME is completed, the management team will be transferred from BME to BUPA Arabia. It is anticipated that the senior management of the Company will consist of the following:

Exhibit 8-2: BUPA Arabia Senior Management Team

Name	Nationality	Position	Age	Years with BME
Tal Hisham Nazer	Saudi	Managing Director	33	5
Hisham Fayez Radwan	Egyptian	Sales and Marketing Director	42	10
Mark Lance Sutcliffe	British	Financial Controller	39	7
Hafez Ali Atweh	Lebanese	Provider Relations Manager	39	10
Nidal Merhi Saab	Lebanese	Operations and Customer Service Manager	34	10
Fadi Mohideen Diab	Lebanese	Projects and Information Technology Manager	35	10
Salah Reda Mahmoud	Egyptian	Organisational Development Manager	40	2

Source: BUPA Arabia

8-3-1 Resumes of Senior Management

Tal Hisham Nazer, Managing Director, mentioned previously, please refer to section 8-2.

Hisham Fayez Radwan, is the Sales and Marketing Director of BUPA Arabia and has been working with BUPA Group for over ten years. He has 20 years of sales and commercial experience in the insurance and health care sector, 17 years of which were within the Saudi market. Hisham was recently appointed by BUPA International to be a Board member for BUPA Egypt. He holds a Bachelor degree in Business Science with Accounting major from the University of Alexandria, Egypt in 1985.

Mark Lance Sutcliffe, is the Financial Controller of the Company and has had 7 years of experience in this field with BME in Saudi Arabia since joining in 2000. Before that, He had 13 years of experience in various financial management roles at leading listed international blue chip companies (Spescom Limited, Boxmore Plastics Limited, Consol Glass Limited, Sappi Limited, Rhone-Poulenc SA Limited). He has a Diploma in Cost & Management Accounting from Port Elizabeth, South Africa (1990) and also a Higher Diploma in Management, Top Student Prize, and Academic Colours Award from the same institution (1993). He is currently studying the Chartered Institute of Management Accountants (CIMA) correspondence course through the United Kingdom.

Hafez Ali Atweh, is the Provider Relations Manager and has been with BME for the past ten years. He started as a hospital contracting specialist where he moved in 2000 to manage the entire provider relations agenda. Prior to that, he had a nine month practicum in hospital management at the American University of Beirut – Medical Centre (AUB-MC). He graduated in 1997 from the American University of Beirut (“AUB”) with a Masters degree in Public Health (“MPH”) concentrating on Health Services Administration, a Diploma in science education, and a Licence degree in Biology. He is currently studying towards a degree in Health Insurance from the Health Insurance Association of America.

Nidal Merhi Saab, is the Operations and Customer Service Manager and has ten years of experience with BME. He has worked as Membership Team Leader, Claims Process Manager, Call Centre Manager, Customer Service Manager, and since 2005 the Operations and Customer Service Manager. Prior to joining BUPA, Nidal worked for Al Shabaka Holding Company as a Marketing Analyst. He holds a Bachelor degree in Accounting and Finance from The Lebanese University in 1996 and a degree in Marketing awarded from the same university in 1997.

Fadi Mohideen Diab, is the Projects and Information Technology Manager with more than ten years of experience with BME. He worked in customer service for two years and led the team thereafter. After that, he managed claims until 2003 were he started managing the Projects and IT department. Fadi worked with BUPA International insurance businesses in Hong Kong and Thailand in systems and development implementations and is currently working on a Masters degree in Business Administration from the University of Leicester, United Kingdom. He started his Business Administration Bachelor degree study in the Lebanese American University (Lebanon) in 1992 and graduated in 1996 from The American International University in London, UK.

Salah Reda Mahmoud, is the Organisational Development Manager and has two years of experience with BME and another ten years in this role with local and multinational companies such as Sainsbury's UK from 1998 to 2001, Bin Zagar and Sleep High from 2003 to 2004, Savola Group from 2004 to 2005 and the Jeddah Chamber of Commerce and Industry. Salah has Organisational Development experience in private companies and non-profitable organisations and he has developed many programs tailored to meet the needs of the Arabic culture. He was awarded a Master of Business Administration from Hull University, UK in 2006 and has completed several training programs in the US and other countries.

8-4 Corporate Governance

BUPA Arabia is committed to high standards of corporate governance. The Company has a clear division of responsibilities between the Board of Directors and executive management of the Company.

Key roles of the Board of Directors include defining the Company's mission, goals, and strategic objectives, providing strategic guidelines and assuring the efficiency and effectiveness of the overall planning system.

The Board of Directors is responsible for appointing the Managing Director and other key personnel of the Company, and ensuring that necessary resources are available and developed in the best way possible. The Board will continuously assess the Company's business activities, accomplishments and investments.

The Company will adopt effective internal control systems in all its departments and will have four committees in place to review the Company's operations within their particular areas of expertise and present their reports on their findings and suggestions to the Board.

8-4-1 Audit Committee

The audit committee oversees financial, risk management and internal control aspects of the Company's operations.

The audit committee has the responsibility of reviewing the effectiveness of the Company's system of internal controls, accounting information systems and finance department competencies and capabilities in light of compliance with generally accepted accounting standards.

The duties and responsibilities of the audit committee include the following:

- ▶ Appoint the external auditors and recommend their remuneration to the Board;
- ▶ Review the comments of the external auditors on the annual financial statements and follow-up on the decisions that have been taken relative to the comments;
- ▶ Review the financial statements prior to presenting them to the Board.

Exhibit 8-3: BUPA Arabia Audit Committee

Name	Position
Benjamin David Jemphrey Kent	Head of Committee
Tal Hisham Nazer	Member
Dr. Damien Vincent Marmion	Member

Source: BUPA Arabia

The Compliance Officer is Mohammed Salem Misfer, holding the Saudi nationality, and he reports to the Audit Committee. Following is a summary of Mohammed's resume:

Mohammed Salem Misfer, is the Compliance officer, he joined BME in December 2002 as the regional manager of Provider Relations department for the central and eastern regions where he spent 3 years before he became the claims manager responsible for claims reimbursement and direct billing. He held this post for 2 years before taking up his current post in 2008. Prior to joining BUPA, Mohammed worked for Coca Cola as quality controller and quality assurance auditor from 1998 to 2002.

He holds a Bachelors degree in Engineering awarded from King Fahad University of Petroleum and Minerals in Dhahran, Saudi Arabia in 1998 and also holds the Certified Financial Consultant (CFC) designation from The Canadian Institute of Financial Consultants, IFC, awarded in 2005.

8-4-2 Resumes of Audit Committee Members:

Benjamin David Jemphrey Kent, Head of Committee, mentioned previously, please refer to section 8-2.

Tal Hisham Nazer, Member, mentioned previously, please refer to section 8-2.

Dr. Damien Vincent Marmion, Member, mentioned previously, please refer to section 8-2.

8-4-3 Executive Committee

The Board of Directors shall form an executive committee consisting of not less than three (3) members and not more than five (5) members.

With respect to any instructions issued by SAMA or by the Board of Directors of the Company, the Executive Committee shall carry out all decisions issued by SAMA or the Board. The Executive Committee, within its designated power, shall assist the Managing Director.

The Board of Directors shall, as and when it may deem appropriate following the incorporation of the Company, appoint the members of the Executive Committee.

8-4-4 Remuneration and Compensation Committee

This committee will decide on how the Board's performance is to be evaluated and will propose objective performance criteria, subject to the approval of the Board, which address how the Board will enhance the Company's long-term shareholders' value.

Furthermore, the committee is responsible for all human resource related matters including the review of human resource management systems and organisational charts to identify areas requiring improvement. The committee is also responsible for reviewing the Company's Saudization ratio to ensure compliance with existing regulations.

Other duties include:

- ▶ Re-nomination of the Directors having regard to the Director's contribution and performance;
- ▶ Determining on an annual basis whether or not a Director is independent;
- ▶ Deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- ▶ Recommend to the Board a framework of remuneration for the Directors and executive officers;
- ▶ Review the requirements and the qualifications needed for board membership and nominate potential candidates;
- ▶ Review the structure of the Board of Directors and recommend changes if required;
- ▶ Draw up clear policies for the remuneration of Board members and senior executives using performance criteria.

Exhibit 8-4: BUPA Arabia Remuneration and Compensation Committee

Name	Position
Eng. Loay Hisham Nazer	Head of Committee
Aamer Abdullah Alireza	Member
William Stephen Ward	Member

Source: BUPA Arabia

8-4-5 Resumes of Remuneration and Compensation Committee Members

Eng. Loay Hisham Nazer, Chairman, mentioned previously, please refer to section 8-2.

Aamer Abdullah Alireza, Member, mentioned previously, please refer to section 8-2.

William Stephen Ward, Member, mentioned previously, please refer to section 8-2.

8-4-6 Investment and Risk Committee

The main role of this committee is to oversee and monitor the Company's investment portfolio. The Investment and Risk Committee will:

- ▶ Determine the level of acceptable risks to the Company;
- ▶ Form the strategic investment plan;
- ▶ Evaluate Investment performance;
- ▶ Undertake periodic reviews of costs and benefits of the Company's investments in light of planned strategy and associated risks;
- ▶ Conduct an annual review of the committee's performance and evaluate its members on an individual basis and effect necessary changes and modifications to its structure.

Exhibit 8-5: BUPA Arabia Investment and Risk Committee

Name	Position
Tal Hisham Nazer	Head of Committee
Benjamin David Jemphrey Kent	Member
Mark Lance Sutcliffe	Member
Fadi Mohideen Diab	Member

Source: BUPA Arabia

8-4-7 Resumes of Investment and Risks Committee

Tal Hisham Nazer, Chairman, mentioned previously, please refer to section 8-2.

Benjamin David Jemphrey Kent, Member, mentioned previously, please refer to section 8-2.

Mark Lance Sutcliffe, Member, mentioned previously, please refer to section 8-3.

Fadi Mohideen Diab, Member, mentioned previously, please refer to section 8-3.

8-5 Declaration in Respect of Proposed Directors and Key Officers

The proposed Directors, Managing Director, Financial Controller and Company's Secretary declare that:

- ▶ They have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- ▶ Except as disclosed in "Direct and Indirect Interest of Board of Directors and Key Executive" on page 22 of the Prospectus do not themselves, nor do any relatives or affiliates, have direct or indirect interests in the shares of the Company;
- ▶ Except as disclosed in "Agreements with Related Parties" page 55 in the Prospectus do not themselves, nor do any relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the time of the Prospectus, which is significant in relation to the business of the Company;
- ▶ All of the financial information on BUPA Arabia as set out in the Prospectus including Prospective Balance Sheet has been extracted from the financial information of the Company without material adjustment to it, and that such Prospective Balance Sheet has been prepared and reviewed in accordance with the accounting standards issued by the Saudi Organisation for Certified Public Accountants ("SOCPA");
- ▶ The Company may not grant any cash loan whatsoever to any of its directors; nor may it guarantee any loan contracted by a director with a third party, in accordance with Article 71 of the Companies Regulations.

The Company's proposed Directors further declare that there have been no material significant change in the financial and commercial conditions or material change in the share capital of BUPA Middle East during the fiscal years ended 31 December 2006 and 2005 until the date of this Prospectus.

The Company's constitutional documents do not grant any power enabling a Director to vote on a contract or proposal in which he has a material interest, or enabling a Director to vote remuneration to himself or allowing the Directors to borrow from the Company.

8-6 Service Contracts, Remuneration and Compensation of the Board of Directors and Senior Management

In line with the Company's bylaws, the remuneration of the Chairman of the Board for performing his duties shall be SAR180,000 per annum. The remuneration for each member of the Board for performing their respective duties shall be SAR120,000 per annum.

The Chairman and each member of the Board shall be paid SAR 3,000 for attending each Board meeting and a sum of SAR 1,500 for attending each meeting of the Executive Committee. The Company shall also pay the Chairman and members of the Board of Directors all actual expenses they incur to attend meetings of the Board or the committees of the Board, including travel and accommodation expenses. However, in all events, the total amount paid to the Chairman and members of the Board shall not exceed 5% of the net profits. The terms of remuneration and compensation for the Board of Directors shall be approved in general assembly meetings where the directors have no right to vote on these terms.

No employment contract has been signed between the Company and any of its Board members or senior managers as of the date of this Prospectus.

9 Dividend Policy

Dividends may be distributed by the Company from net shareholders' income, which is calculated after:

- (a) Transferring attributable policyholders' surplus to the policyholders;
- (b) After setting off brought forward losses;
- (c) Setting aside 20% net income, after transferring (a) and setting off of (b) above, to statutory reserve till this reserve equals 100% of the paid up capital; and
- (d) After charging applicable Zakat and income tax.

The Ordinary General Assembly may discontinue the transfer to statutory reserve when it amounts to 100% of the Company's paid-up capital. BUPA Arabia will coordinate with and obtain approval from the regulatory authorities prior to any announcement of dividend distribution.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations.

However the distribution of dividends is subject to certain limitations contained in the Company's Bylaws (See "Summary of the Company's Bylaws" section). The Offer Shares will be entitled to receive dividends declared by the Company after the Offering period and the incorporation of the Company and for subsequent fiscal years.

The Company does not give any assurance that any dividends will actually be paid, nor any assurance as to the amount which will be paid in any given year.

It should be noted that pursuant to the instructions issued by SAMA in connection with the payment of acquisition values of insurance portfolios acquired by Saudi companies licensed by SAMA and established under the Cooperative Insurance Law, 50% of the Acquisition value is expected to be paid by BUPA Arabia to the shareholders of BME at completion of the Acquisition, while the remaining 50% is expected to be paid by BUPA Arabia out of its net profits by way of annual instalments in accordance with the following guidelines:

- ▶ the payments will be determined as a fixed percentage of profits determined by SAMA after consultation with BUPA Arabia and taking into account BUPA Arabia's business plan submitted to SAMA;
- ▶ a limitation will be placed on the period during which payments can be made;
- ▶ the percentage of profits payable each year shall not exceed 50% of the profits earned in that year;
- ▶ the total amount to be paid for the portfolio will allow for the time value of money on a basis to be determined by SAMA at the date of transfer;
- ▶ if no profits are made in a year then no payment will be made in that year. Payments may not be made out of any retained profits from earlier years; and
- ▶ each payment made will need to be approved by SAMA before it is paid.

Based on the above, the payment of any dividends by BUPA Arabia to its shareholders will be subject to BUPA Arabia's obligation to repay the deferred 50% of the Acquisition value as a result of the Acquisition.

10 Financial Information

10-1 Auditors

The Company has not yet appointed its auditors since it is still under formation. The Company's auditors are expected to be appointed during the constituent assembly meeting.

10-2 Reporting Obligations

The Company will be subject to the relevant disclosure obligations and periodic reporting requirements in line with the Capital Market Law ("CML") issued in accordance with Ministerial Resolution number 91 dated 1 Rajab 1424H (corresponding to 29 August 2003G), the CMA Listing Rules issued in accordance with CMA board resolution No. 3-11-2004 dated 20 Shab'an 1425H (corresponding to 4 October 2004G) and Corporate Governance guidelines issued in accordance with CMA board resolution No. 1-212-2006 dated 21 Shawwal 1427H (corresponding to 12 November 2006G). The Company will provide the CMA with annual and periodic financial statements in accordance with the CML's applicable rules and regulations. Furthermore, the Company will prepare an annual report including audited financial statements and shall make that available to its shareholders in due course. In line with Implementing Regulations, the Company should provide SAMA with 1) a copy of the audited financial statements within 90 days of the year end; and 2) a copy of the Auditors' report and financial statements within 60 days of the year end for approval prior to publishing in the official Gazette.

10-3 Special Review Report

The Special Review Report has been prepared by Ernst & Young and has been included elsewhere in the Prospectus. The Report includes information on pre-operating expenses and the prospective balance sheet.

The prospective balance sheet shows the expected position of the Company as of the anticipated inception date. The expected position reflected by the prospective balance sheet may be materially different from the actual results and therefore assets and liabilities could be different from those mentioned in the prospective balance sheet.

10-4 Pre-Operating Expenses

The pre-operating expenses of the Company consist of the following:

Exhibit 10-1: Pre-Operating Expenses

	SAR
Statutory charges	1,282,000
Professional fees*	7,561,000
Offering expenses**	5,625,000
Financing charges***	4,383,000
Other	450,000
Total	19,301,000

Source: BUPA Arabia

* includes legal fees and set up costs of the Company

** includes financial advisers fees, actuarial fees, accountants fees and fees against preparing the business plan for SAMA

*** includes underwriting fees, selling agents fees, costs of printing and distributing the Offering's materials as well as Al-Elm fees

10-5 Prospective Balance Sheet

The prospective balance sheet and the related notes thereto incorporated in the Prospectus were prepared as at inception date by the Company and have been reviewed by Ernst & Young in accordance with the auditing standards on prospective financial statements, as issued by SOCPA. The prospective balance sheet should be read in conjunction with ("Appendix 1 – Special Review Report") and ("Appendix 2 – Auditors' Letter on Agreed Upon Procedures").

Ernst & Young do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. In addition, Ernst & Young have given and not withdrawn their written consent to the publication in the Prospectus of their Accountants' Report.

	SAR '000 (unaudited)
ASSETS	
CURRENT ASSETS	
Cash to be paid in by founding shareholders	240,000
Projected cash from initial public offering	160,000
TOTAL CURRENT ASSETS	400,000
NON-CURRENT ASSET	
Pre-operating expenses	19,301
TOTAL ASSETS	419,301
LIABILITY AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITY	
Payable to related parties	19,301
TOTAL CURRENT LIABILITY	19,301
SHAREHOLDERS' EQUITY	
Share capital to be paid in by founding shareholders	240,000
Forecasted share capital from initial public offering	160,000
	400,000
TOTAL LIABILITY AND SHAREHOLDERS' EQUITY	419,301

10-6 Declaration for Financial Information

The Company's proposed Directors declare that the prospective balance sheet presented in the Prospectus is extracted without material change from the Special Review Report and that the financial statements have been prepared in accordance with SOCPA Accounting Standards (please refer to Appendix 1).

11 Description of Shares

11-1 Share Capital

The share capital of the Company is SAR 400,000,000 consisting of SAR 40,000,000 ordinary shares.

11-2 Rights of Shareholders

Each Share shall give its holder equal rights to the Company's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

11-3 Shareholders Assemblies

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The Extraordinary General Assembly shall have the power to amend the Company's Articles of Association, except for such provisions as may be impermissible to be amended under the Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette, and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. Notwithstanding the foregoing, it is sufficient to send invitations by registered mail to all the Shareholders. A copy of the invitation and the agenda shall be sent to the responsible authorities within the aforementioned notice period. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors, or by a number of Shareholders representing at least five per cent (5%) of the Company's capital. The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least half of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days of the previous meeting. Such notice for the meeting shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented. As for the Extraordinary General Assembly, it shall not be deemed valid unless attended by Shareholders representing at least fifty per cent (50%) of the Company's capital. If such quorum is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as valid if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital. The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a votes canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, personally or on behalf of, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the votes canvasser.

11-4 Voting Rights

Each Shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorise another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/her behalf. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting. Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented there at.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry date specified under the Company's Articles of Association or merging the Company with another company or organisation, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the Auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not jeopardise the interest of the Company. Should a Shareholder consider the reply unsatisfactory, he can resort to the General Assembly whose resolution is to be considered as final.

11-5 The Shares

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they must select one of them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share. The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with the Company's Articles of Association shall be void.

11-6 Duration of the Company

The duration of the Company shall be 99 Gregorian years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the incorporation of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

11-7 Dissolution and Winding-up of the Company

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for managing the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

12 Summary of the Company's Bylaws

Name of the Company

BUPA Arabia for cooperative insurance, a Saudi joint stock company.

Objectives of the Company

The Company's objectives permit the Company to transact cooperative insurance operations and related activities, such as reinsurance agency activities and representation, correspondence or intermediary activities provided that such activities are in accordance with the provisions of the Saudi Arabian Control of Cooperative Insurance Companies Regulation, its Implementing Rules, as may be amended from time to time, and such other laws and regulations in force in the Kingdom of Saudi Arabia.

The Head Office of the Company

The head office of the Company shall be in the city of Jeddah, Kingdom of Saudi Arabia. The head office of the Company may be moved to another location within the Kingdom of Saudi Arabia and branches, offices or agencies within or outside the Kingdom of Saudi Arabia may be established.

Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of issuance of the Minister of Commerce's resolution announcing the incorporation of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

Qualification Shares

A member of the Board of Directors of the Company shall present shares amounting to five thousand (5,000) shares as a guarantee against any contracts arising between him and the Company, which have been approved by the Ordinary General Assembly. Such right of attachment shall include dividends due on the attached shares.

Foreclosure on Qualification Shares

The Board of Directors, when exercising the attachment right in respect of a Director's qualification shares, shall have the right, after obtaining the approval of the competent authorities, to sell such shares provided that the debt owed by the Director is due after having sent two written notices by registered mail requesting the Director to settle his debt within two weeks. If the Director refuses to pay, the Board of Directors may sell his shares through the Tadawul system. The proceeds of the share sale shall be set off against all debts and liabilities owed to the Company. The balance, if any, shall be reimbursed to the shareholder or his guardian or administrator.

Tradability of Shares

Shares shall be tradable pursuant to the rules and regulations issued by the Capital Market Authority. As an exception to the foregoing, cash shares subscribed for by the founding shareholders either upon incorporation of the Company, may not be negotiated before the balance sheet and profit and loss statement have been published for the first two full fiscal years (being not less than twelve (12) months each) from the date of incorporation of the Company³¹. The said restriction shall apply to any new issued shares subscribed for by the founding shareholders during the said restricted period.

Decrease of Share Capital

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the liabilities of the Company and the effect of the reduction on such liabilities, with due consideration to the provision of the Regulations for Companies. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily

³¹. Following the completion of the Offering, the Company shall hold an extraordinary general assembly and shall ask the shareholders to vote on amending this article of the bylaws to change the Lock-in period from two years to three years to bring it in line with CMA's requirements.

newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Investment of Funds

Funds collected from the policyholders and shareholders' funds in the Company shall be invested in accordance with the rules determined by the Board of Directors.

Capital of the Company

The Company's share capital is SAR 400,000,000 divided into 40,000,000 shares of SAR 10 each.

The founding shareholders have subscribed to 24,000,000 shares amounting to SAR 240,000,000. The remaining 16,000,000 shares amounting to SAR 160,000,000 will be offered to the public within 30 days of the publication of the Royal Decree announcing the establishment of the Company.

Constitution of the Board of Directors

The Company shall be managed by a Board of Directors consisting of eight (8) members for a term not exceeding three years. Such appointment shall not affect any juristic person's right to replace its representative in the Board of Directors. As an exception, the Constituent Assembly shall appoint the first Board for a term of three years starting from the date of the Company's incorporation as declared by the Ministerial decision.

Technical Management

After SAMA approval, the company shall enter into a technical management services agreement with one or more qualified insurance company for a term of five renewable years for such term or terms as determined by the Board of Directors.

Vacancies

Membership of the Board shall end on the expiry of its term, resignation, death, or earlier when it is proved to the Board of Directors that the Board member has committed a breach of duties which is detrimental to the Company's interests subject to the approval of the Ordinary General Assembly; or the membership of the Board ends in accordance with any regulations or instructions in effect; or if the member is absent from three consecutive Board meetings without a justifiable excuse accepted by the Board of Directors; or if the member of the Board has been declared bankrupt, declared insolvent, applied for settlement with his creditors or has ceased to pay off his debts; or is comatose or has become incapacitated; committed any act of dishonesty or has been convicted of forgery. If the office of the Board member becomes vacant, the Board may appoint a member to fill the vacancy, provided that such appointment shall be reported to the next Ordinary General Assembly. The term of office of the new member appointed to fill a vacancy shall only extend to the term of his predecessor. If the number of the Board members falls below the quorum needed for the validity of its meetings, the Ordinary General Assembly must be convened as soon as possible to appoint the required number of Directors.

Authority of the Board

Subject to the powers reserved for the General Assembly, the Board of Directors shall have the widest powers in managing the affairs of the Company. The Board may, within the limits of its authority, delegate to one or more of its members or to non-members the power of performing a specific act(s) or tasks(s). The authorities of the Board of Directors include, but are not limited to, representing the Company in its relationship with others and before judicial bodies, Government departments, Notaries Public, Courts of Law, Commissions for settlements of labour disputes, Board of Grievances, Boards of Arbitration, Directorate of Civil Rights, Police Departments, Chambers of Commerce and Industry, all companies and establishments, commercial banks, financing institutions and all government financial funds and institutions and other lenders; the Board shall have the authority to raise, defend, plead, settle, acknowledge and arbitrate; to accept and reject judgments on behalf of the Company; to enter into bids and sell and purchase real-estate. The Board shall also have the authority to sign and execute on behalf of the Company, all agreements, certificates and instruments including articles of association of companies in which the Company shall participate, and to amend the same, as well as any other contracts, deeds, and declarations, before public notaries or other official bodies; to sign loan agreements, guarantees, mortgages and sale and purchase contracts for real-estate and to issue powers of attorney on behalf of the Company; to buy, sell, make and accept transfers, receive, deliver, rent, lease, collect and make payments, to open bank and credit accounts and to withdraw and deposit from the same; to issue guarantees to banks, financial institutions and governmental financial institutions; to issue and sign on all instruments, cheques and all negotiable instruments and all banking transactions.

Remuneration of Board Members

The remuneration of the Chairman of the Board for performing his duties shall be Saudi Riyals One Hundred Eighty thousand (SAR 180,000) per annum. The remuneration for each member of the Board for performing their respective duties shall be Saudi Riyals One Hundred Twenty Thousand (SAR 120,000) per annum.

The Chairman and each member of the Board shall be paid Saudi Riyals Three Thousand (SAR 3,000) for attending each Board meeting and a sum of Saudi Riyals One Thousand Five hundred (SAR 1,500) for attending each meeting of the Executive Committee. The Company shall also pay the Chairman and members of the Board of Directors all actual expenses they incur to attend meetings of the Board or the committees of the Board, including travel and accommodation expenses. However, in all events, the total amount paid to the Chairman and members of the Board shall not exceed 5.00% of the net profits.

Chairman and Managing Director

The Board shall appoint one of its members as Chairman and the Board shall appoint a Managing Director for the Company from the members of the Board or otherwise. The Chairman and Managing Director shall have the authority to sign on behalf of the Company and implement Board resolutions. The Chairman or the Managing Director, shall represent the Company before third parties and courts. The Chairman and Managing Director shall have the right to delegate their duties to other persons. The Managing Director shall be responsible for the executive management of the Company. The Board shall define the salaries, remuneration and bonuses of the Chairman and the Managing Director.

Audit Committee

The Board of Directors shall form an audit committee consisting of no less than three (3) members and no more than five (5), who are not executive managers of the Company and the majority of whom shall not be members of the Board of Directors as approved by SAMA, the Ministry of Commerce and Industry and the Capital Market Authority.

Executive Committee

The Board of Directors shall form an executive committee consisting of not less than three (3) members and not more than five (5) members. The Executive Committee's meetings shall be chaired by a chairman appointed by the members of the Executive Committee from its members. If the chairman is not present at a meeting, the Committee shall appoint a temporary chairman from the members present. A member of the Executive Committee may appoint another member by proxy to attend and vote at three meetings only. The period of membership of the Executive Committee shall be the same as of the Board and the Board shall fill the vacancy in the Executive Committee.

With respect to any instructions issued by SAMA or by the Board of Directors of the Company, the Executive Committee shall carry out all decisions issued by SAMA or the Board. The Executive Committee, within its designated power, shall assist the Managing Director or the General Manager.

Board Meetings

The Board shall meet at least four (4) times during each fiscal year provided that the interval between the meetings shall not exceed four months. Board meetings shall be held at or outside the headquarters of the Company upon convocation by its Chairman and whenever requested by two members. The Board shall decide the most appropriate means and method of convocation.

Quorum and Representation

The meeting of the Board shall not have a quorum unless attended by at least two thirds of the members in person or by proxy, provided that the number of members attending in person shall not be less than at least four members with consideration of article 15 of the Bylaws.

Board Resolution

The Board resolutions shall be issued unanimously. In case of disagreement, these resolutions shall be issued by at least a two third majority vote of the members present or represented by proxy.

Minutes of Meetings

The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board Chairman and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

Conflicts of Interest

Board members shall not enter into insurance agreements with the Company in which they have interest, without the prior approval of SAMA.

Secretary of the Board

The Board of Directors shall appoint a secretary of the Board. The Board may also appoint an advisor in different affairs of the Company and define his remuneration.

General Meeting of Shareholders

A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located. Each subscriber, irrespective of his shareholding, shall have the right to attend the Constituent Assembly in person or by proxy. Each shareholder who owns at least twenty shares may attend the Ordinary General Assembly. A shareholder may appoint another person, who is not a Board member or an official of the Company, to attend General Assemblies as his delegate.

Constituent General Assembly Meeting

The constituent general Assembly shall specifically be competent to do the following:

1. Ascertain that the capital has been subscribed for in full.
2. Draw up the final provisions of the Company's Bylaws. However, the constituent general Assembly may not introduce fundamental alterations to the Bylaws submitted to it, except with the approval of all the subscribers thereat.
3. To appoint the members of the first Board of Directors.
4. To appoint auditors and fix their remunerations.
5. To deliberate on the founders' report on the acts and expenses necessitated by the organisation of the Company.

Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary Assembly shall be competent in all matters related to the Company and shall be convened at least once a year within six months of the end of the Company's financial year. Other Ordinary General Assemblies may be convened whenever the need arises.

The Ordinary General Assembly shall be valid only if attended by shareholders representing at least fifty percent (50%) of the capital. If this quorum is not obtained at the first meeting a notice shall be sent for a second meeting to be held within thirty days of the previous meeting. This notice shall be published in the manner prescribed in Article (88) of the Companies Regulation. The second meeting shall be considered as having a valid quorum, regardless of the number of shares represented.

Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to alter the Bylaws of the Company except the alternations prohibited by the Law. The Extraordinary General Assembly may adopt resolutions on matters falling primarily within the jurisdiction of the Ordinary General Assembly, subject to the same conditions and in the same manner prescribed for the latter.

An Extraordinary General Assembly shall be valid only if attended by shareholders representing at least half of the Company's capital. If a quorum is not obtained at the first meeting, a notice shall be sent for a second meeting in the same manner prescribed as in the previous Article. The second meeting shall be considered as having a valid quorum if attended by a number of shareholders representing at least one quarter of the Company's capital.

Calculation of Votes

At the Constituent Assembly, and the Ordinary and Extraordinary General Assemblies the votes shall be calculated on the basis of one vote for each share.

Resolutions of General Assembly

Resolutions of the Constituent and Ordinary General Assembly shall be adopted by the absolute majority of shareholders' votes cast at the meeting.

Resolutions of the Extraordinary General Assembly shall be issued by a two third majority of shareholders' votes cast at the meeting. However, resolutions concerning the increase or decrease of capital, extending the term of the Company, premature winding up, or acquisition or merger with another company or entity shall require a three fourth majority of the represented shares in the meeting.

Appointment of Auditor

The General Assembly shall appoint two auditors chosen from those licensed to practice auditing in Saudi Arabia each year. The Ordinary General Assembly shall fix their remunerations and may also re-appoint the Auditors.

Access to Records

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the company's assets and liabilities.

Auditor's Report

The Auditor must submit a report to the annual Ordinary General Assembly setting forth the attitude of the Company's management in enabling him to obtain the particulars and clarifications requested by him, any violations of the provisions of the Companies Regulation, the Cooperative Insurance Companies Control Regulation, its Implementing Rules, or of these bylaws and his opinion as to the extent to which the Company's accounts are in conformity with the facts.

Financial Year

The fiscal year of the Company shall start on the 1st of January and end on the 31st of December of each year. The first fiscal year of the Company shall commence on the date of the Ministerial decision announcing its formation and shall end on the 31st of December of the following Gregorian Year.

Annual Accounts

At the end of each fiscal year, the Board of Directors shall prepare the closing entries of the Company's assets and liabilities as of that date. The Board of Directors shall also prepare a balance sheet, a profit and loss statement, and a report on the Company's activities and financial position at the year's end. The report should set out the proposed method for distribution of net profits within a period not exceed forty (40) days from the end of the annual financial year which includes such listings. The Board shall put the said documents at the disposal of the auditor at least fifty-five (55) days prior to the date set for the Ordinary General Assembly. The Chairman of the Board, shall sign such documents, a copy of which shall be at the Company's head office to be available for the shareholders, at least twenty five (25) days before the meeting of the Ordinary General Assembly. The Chairman of the Board must publish the balance sheet, the profit and loss statement, an adequate summary of the Board report and the full text of the auditors' report in a daily newspaper published in the same city of the Company's head office. A copy of the same shall be delivered to the Department of Companies at the Ministry of Commerce and Industry and the Capital Market Authority at least twenty-five (25) days before the meeting of the Ordinary General Assembly.

Financial Statements

The financial statements shall consist of the financial position for insurance operations and shareholders, the statement of surplus (deficit) of insurance operations, the statement of shareholders income, the statement of shareholders' rights, the statement of insurance operations' cash flow and the statement of shareholders' cash flow.

The statement of insurance operations shall be independent from the shareholders income statement.

Shareholders' profits will consist of revenues of investing shareholders' funds in accordance with the rules specified by the Board of Directors.

Distribution of Annual Profits

The net profits of the Company shall be allocated as follows:

- a) Zakat and income tax allocations and defined income tax to be held;
- b) Twenty percent (20%) of the net profits shall be allocated to form the statutory reserve. The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the paid-up capital;
- c) The Ordinary General Assembly may, at the recommendation of the Board of Directors, set aside a specific percentage of the annual net profits to build up additional reserves allocated for a specific purpose or purposes as determined by the general assembly.

- d) The balance shall be distributed as first payment in the amount not less than five percent (5%) of paid-up capital to the shareholders.
- e) 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 specified in paragraph 4 above in accordance with the relevant regulating rules issued by the competent authorities.

Notification of Capital Market Authority

The Company shall notify the Capital Market Authority, without any delay, of any resolutions for the distribution of profits or recommendation of the same. The distributable profits shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry, subject to the prior written approval of SAMA.

Company Losses

If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified in the Company's Bylaws. In all cases the Assembly's resolution shall be published in the Official Gazette.

Dissolution of the Company

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

Regulations for Companies and Cooperative Insurance Regulations

The provisions of the Companies Regulation, the Control of Cooperative Insurance Companies Regulations, the Regulations for Companies and the Capital Market Law and its implementing rules shall apply to all matters not provided for in the Bylaws.

13 Legal Information

13-1 Ownership Structure

Exhibit 13-1: Ownership Structure of BUPA Arabia

Shareholder	Number of Shares	Value (SAR)	Percentage
BUPA Middle East Holdings W.L.L	9,000,000	90,000,000	22.50%
BUPA Investments Overseas Ltd.	6,000,000	60,000,000	15.00%
Nazer Group Holding Co. Ltd.	2,000,000	20,000,000	5.00%
ASAS Health Care Company Ltd.	2,000,000	20,000,000	5.00%
Modern Computer Programs Company Ltd.	2,000,000	20,000,000	5.00%
Dr. Suliman Al-Habib Medical Centre	1,000,000	10,000,000	2.50%
Ahmed Mohammed Abdul Wahab Naghi & Sons Co.	1,000,000	10,000,000	2.50%
Ramez Mahmoud Al Halabi and Son Co.	500,000	5,000,000	1.25%
MADAF Trading and Contracting Co. Ltd.	500,000	5,000,000	1.25%
Public	16,000,000	160,000,000	40.00%
Total	40,000,000	400,000,000	100.00%

Source: BUPA Arabia

13-2 Capitalization and Indebtedness

The share capital of the Company, upon its formation, will be SAR 400 million consisting of forty million (40,000,000) ordinary shares with a nominal value of SAR 10 each. The Founding Shareholders have raised SAR 240 million representing 60% of the paid-up capital; where the other SAR 160 million, which represent 40% of the paid-up capital, will be raised through an initial public offering.

13-3 Due to BME

Exhibit 13-2: Due to BME

	SAR
IPO Expenses	5,625,000
Legal and Professional consultancy charges	7,561,000
Other Expenses	6,115,000
Total	19,301,000

Source: BUPA Arabia

13-4 Working Capital

The Company reviewed the requirements of working capital for the 12 month period following the publication of the Prospectus and it confirms that it was found to be adequate for the specified period.

13-5 Debt instruments, Long Term Loans and Contingent Liabilities

The Board of Directors declare that, as of the date of the Prospectus, the Company has no debt instruments, long term loans or contingent liabilities. It is further declared that neither its capital nor any of its affiliates is under option.

13-6 Mortgages, Rights and Charges on Company's Properties

The Board of directors declare that the Company has no mortgages, rights or charges on its properties as of the date of the Prospectus.

13-7 Commissions

No commissions, discounts, brokerages or other non-cash compensation were granted by or on behalf of BME in the two years immediately preceding the date of the Prospectus.

13-8 Incorporation and Listing of the Company

In accordance with the Regulations for Companies, the Company's incorporation as a joint stock company shall not be effected unless all of its capital has been subscribed for.

Shares that have not been subscribed for by the Founding Shareholders are offered for public subscription. The Founding Shareholders believe that there are risks associated with the subscription of shares in the Company. For more discussion, please see (the "Risk Factors") section of the Prospectus.

Upon finalization of the IPO Share allocation process, the Founding Shareholders shall invite all Subscribers who have been allocated Shares to a Constituent Assembly meeting, to be convened in accordance with the Company's Bylaws. The meeting will be held not less than 15 days after the date of the notice of meeting. Each Founding Shareholder and each Subscriber who has been allocated Shares shall be entitled to be present at the meeting, irrespective of the number of Shares that the Subscriber or Founding Shareholder has been allocated.

The presence of Subscribers and/or Founding Shareholders representing not less than half of the Company's capital is required to constitute a quorum. If a quorum is not present, a second meeting shall be convened not earlier than 15 days following notice of the second meeting, and a quorum shall be deemed to be present at this meeting irrespective of the number of Subscribers or Founding Shareholders present.

The Constituent Assembly Meeting shall:

- ▶ Ascertain that all the capital has been subscribed and fully paid;
- ▶ Approve the final text of the Bylaws;
- ▶ Appoint the first Directors for a period not exceeding three years, and the first auditor;
- ▶ Discuss the Founding Shareholders' report regarding activities and expenses necessitated by the incorporation of the Company.

Within 15 days following the Constituent Assembly meeting, the Founding Shareholders shall submit an application to the Minister of Commerce and Industry to declare the company incorporation. BUPA Arabia shall be deemed incorporated as of the date on which the Minister issues a Resolution declaring its incorporation.

This Ministerial Resolution shall be published in the Official Gazette, at the expense of BUPA Arabia. Within 15 days from the date of the Resolution, the Directors shall apply for the registration of the Company in the Register of Companies of the Companies Department.

Following BUPA Arabia's incorporation, the Company shall submit an application to the CMA for admission and listing on the Exchange in accordance with the Capital Market Law.

13-9 Subsidiaries

The Company has no affiliates or subsidiaries whether inside or outside the Kingdom.

13-10 Key Licences and Approvals

Exhibit 13-3: Key Licences and Approvals of BUPA Arabia

Licence/Approval	Issued by	Date	Subject
Foreign investment licence No. 1018/2 as amended	SAGIA	22/7/1428H (corresponding to 6/8/2007G)	Licence to transact insurance business in Saudi Arabia
Ministerial Resolution No. 279	Council of Ministers	28/8/1428H (corresponding to 10/9/2007G)	Approval for incorporation of the Company
Royal Decree No. M/74	The Royal Court (Al-Diwan AlMalaki)	29/8/1428H (corresponding to 11/9/2007G)	Approval for incorporation of the Company

Source: BUPA Arabia

Following the official announcement of its incorporation and the issuance of its commercial registration, the Company will apply for a licence from SAMA to commence its activities.

Upon the completion of the incorporation formalities of the Company, it shall proceed at the earliest practical opportunity with the Acquisition of BME and its Saudi insurance portfolio. The Acquisition of BME and the final valuation of its Saudi insurance portfolio will be subject to SAMA approval and the approval of the relevant authorities in Bahrain. For more information on the Acquisition, please refer to the “Acquisition” section of the Prospectus.

13-11 Agreements with Related Parties

13-11-1 Acquisition Agreement and Memorandum of Understanding

It is envisaged that the Company shall enter into an agreement with the shareholders of BME to acquire BME on terms that are consistent with the memorandum of understanding to be signed by the shareholders of BME and the Directors of the Company and otherwise on terms that may be agreed between the Company and the owners of BME. That memorandum of understanding records their common understanding of the outline process for implementing the Acquisition and transferring the assets and operational arrangements of the business from BME and its agent, ASAS, to BUPA Arabia.

13-11-2 Transitional Agreement

Agreement to be entered into at the time of the Acquisition with ASAS pursuant to which ASAS shall from the effective date of the proposed portfolio transfer from BME to its then parent company, BUPA Arabia, provide the Company with office space, manpower, systems and other administrative, technical, financial and marketing logistical support. This agreement will enable BME and the Company to avoid any business interruption or disruption after the acquisition of BME and until the systems necessary to serve the Company’s business have been properly transferred to it from ASAS.

13-11-3 Brand Licence Agreement

BUPA Arabia will enter into a brand licence agreement with BUPA Middle East Holdings W.L.L pursuant to which BUPA Arabia will be granted a licence to use the word “BUPA” and the BUPA logo, a registered trademark owned by BUPA, as part of its corporate name and, with effect from completion of the Acquisition, its trade name. The licence is for an indefinite period of time but shall come to an end in various circumstances including if:

- 1) BUPA and its wholly owned subsidiaries cease to hold any shares in the Company;
- 2) Eng. Loay Hisham M. Nazer (or such of his successors as have been approved in post by the BUPA Group) ceases to be chairman of the Board of Directors of the Company; and
- 3) Nazer Group Holding Company, Asas Health Care Company and Modern Computer Programs Company Limited, when taken together, cease to hold 10% or more of the issued share capital of the Company.

BUPA Arabia is restricted from using the BUPA brand other than in the Kingdom of Saudi Arabia and throughout the term of the licence indemnifies BUPA against any loss it may suffer in connection with the use of the brand by BUPA Arabia.

The Company will rely on the “BUPA” name in its business benefiting from its strong reputation in the insurance sector. The loss by the Company of the right to use the “BUPA” name may adversely affect its business. For more information please refer to “Risk Factors” section.

13-12 Material Agreements

The Company will enter into the following agreements immediately following its formal incorporation:

13-12-1 IT Licence and Services Agreement

An agreement between the Company and BUPA Asia under which, with effect from the completion of the Acquisition, the Company has the use for an indefinite period of the current Caesar System used by BME's business. The agreement also provides a framework for the BUPA Group to supply the Company on an arms length basis with such IT services as may be requested and agreed by the Company from time to time.

13-12-2 Technical Management Services Agreement

An agreement between the Company and BUPA Fin which is a qualified insurance company under which, after approval by SAMA as required by the Company's bylaws, the Company will be provided with certain technical management services for a term of five renewable years.

13-13 Continuity of Business

The Company is under formation and no business activities have been transacted before or prior to issuing the Prospectus. No material change or interruption in the Company's business is contemplated in the near future. It is further declared that no interruption in the business of BME which may have or had a significant effect on the financial position has occurred in the preceding year.

13-14 Underwriting of Offer Shares

The Offer Shares of 16,000,000 are fully underwritten by HSBC.

13-15 Litigation

BUPA Arabia is not party to any litigation or claim that may have a material effect on the Company's business or financial position, nor is such a claim pending or threatened. Furthermore, neither BME nor its Saudi insurance portfolio, both of which are to be acquired by the Company, are parties to any material litigation or claim.

13-16 Accountants

The Ordinary General Assembly shall appoint two auditors chosen from those licensed to practice auditing in Saudi Arabia each year. The Ordinary General Assembly shall fix their remunerations and may also re-appoint the Auditors.

The Auditor shall at all times have access to the Company's books, records and other documents and the right to verify the assets and liabilities of the Company.

The Auditor must submit a report to the annual Ordinary General Assembly setting forth the attitude of the Company's management in enabling him to obtain the particulars and clarifications requested by him, any violations of the provisions of the Companies Regulation or of the Company's constitutional documents which he may have discovered, and his opinion as to the extent to which the Company's accounts are in conformity with reality.

13-17 Founding Shareholders Undertakings

The Founding Shareholders declare and undertake that:

- ▶ They will comply with articles 69 and 70 of the Companies Regulations, and Article 18 of the Corporate Governance Rules;
- ▶ All contracts with related parties are to be voted upon in General Assembly Meetings;
- ▶ They will not be engaged in any competitive business to the Company's activities in Saudi Arabia and that all future such related party transactions will be concluded on arm's length basis in line with Article 70 of the Companies Regulations.

14 Use of Proceeds

The total proceeds from the offering are estimated at SAR 160,000,000. The Company's total pre-operating expenses related to the Offering and other pre-operating expenses are estimated to be SAR 19,301,000. This cost includes fees of each of the financial advisors, legal advisors, reporting accountants, selling agents, marketing expenses, printing and distribution expenses, other offering related expenses and also other pre-operating expenses. These expenses will be paid by the Founding Shareholders, through BME, and will thereafter be reimbursed to the relevant Founding Shareholders by BUPA Arabia (subject to the approval of BUPA Arabia). The primary use of the proceeds by BUPA Arabia, from the Offering after deducting the Offering expenses and pre-operating expenses in addition to Founding Shareholders contribution will be to finance the operations and investments of the Company, being mainly the proposed Acquisition of BME and its Saudi insurance portfolio. Thereafter, the funds will be used to develop the insurance business whilst ensuring the Company maintains the minimum required solvency levels, and also the minimum adequacy level of the paid up capital, as prescribed by the relevant regulatory authorities.

15 Subscription Terms and Conditions

All Subscribers must carefully read the Subscription Terms and Conditions prior to completing the Subscription Form, since the execution of the Subscription Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

15-1 Subscription to Offer Shares






A signed Subscription Application Form submitted to any of the Selling Agents represents a legally binding agreement between the Company and the Subscriber.

The Offering of sixteen million (16,000,000) ordinary shares, with a nominal value of Saudi Riyals 10 each, representing forty percent (40%) of the share capital of the Company, is directed at and may be accepted by: 1) individuals of Saudi nationality and 2) Saudi female divorcees or widows with minors from marriage to non-Saudis, in which case subscriptions on behalf of minors will be allocated to their accounts, provided that they present sufficient supporting documents proving their marital status and their custody of the children.

Subscription by corporate entities such as banks, investment funds, and sole proprietorships is not allowed. The Prospectus and Forms will be available during the Offering period only at the branches of the Selling Agents. Other subscription channels will include the internet, telephone banking and ATMs and will be offered by the Selling Agents that provide one or more of these subscription channels. Such services will be available to subscribers provided they have participated in one of the latest initial public offerings and:

- 1) have a bank account with one of the Selling Agents; and
- 2) the subscriber's information has not been changed.

Investors can subscribe and request copies of the Prospectus and Forms from the following Selling Agents:

<p>The Saudi British Bank www.sabb.com.sa</p>	
<p>The National Commercial Bank www.alahli.com.sa</p>	
<p>Arab National Bank www.anb.com.sa</p>	
<p>Riyad Bank www.riyadbank.com</p>	
<p>Samba Financial Group www.samba.com.sa</p>	

The Prospectus may also be obtained by visiting the CMA's website: www.cma.org.sa

The Selling Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from 30/2/1429H (corresponding to 8/3/2008G) to 7/3/1429H (corresponding to 15/3/2008G). Once the Subscription Application Form is signed and submitted, the Selling Agents will stamp it and provide the Subscriber with a copy of the completed Subscription Application Form. In the event of the information provided in the Subscription Application Form being incomplete or inaccurate, or not stamped by the Selling Agents, the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form and the total amount each subscriber will be required to pay will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 10 per Share. Each Subscriber to the Offer Shares must apply for a minimum of (50) Offer Shares or its multiple provided that it does not exceed 100,000 Offer Shares.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied by the following documents as may be applicable:

- ▶ the original and a copy of the national identification card (for individual subscribers);
- ▶ the original and a copy of the family identification card (for family members);
- ▶ the original and a copy of the power of attorney or custody certificate supporting such person's authority to act on behalf of the Subscriber;
- ▶ the original and the copy of proof of custody (for orphans);
- ▶ the original and a copy of the divorce certificate (for dependents of Saudi divorcees from marriage to non-Saudis);
- ▶ the original and a copy of the death certificate (for dependents of Saudi widows from marriage to non-Saudis);
- ▶ the original and a copy of the birth certificate (for dependents of Saudi divorcees or widows from marriage to non-Saudis).

Power of attorney is acceptable by first degree family members (parents and children only). In the event an application is made on behalf of a Subscriber, the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied by the original and a copy of a valid power of attorney. The power of attorney must be issued before a notary public for those who are in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

In line with SAMA regulations, the total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agents by authorizing a debit of the Subscriber's account held with the Selling Agents where the Subscription Application Form is being submitted.

One Subscription Application Form should be completed for each head of family ("Prime Subscriber") applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the Prime Subscriber, consequently:

- ▶ The Prime Subscriber is the person to whom the Offer Shares will be allocated;
- ▶ The Prime Subscriber shall receive any refund in respect of amounts not allocated and paid for (if any);
- ▶ The Prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers.

Separate Subscription Application Forms must be used if:

- (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of family; or
- (ii) dependent Subscribers wish to apply for a different number of Offer Shares than the Prime Subscriber.
- (iii) the wife if she wishes to subscribe in her name and to add allocated shares to her account, however, she must complete a separate Subscription Application Form as a Prime Subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

A Saudi female divorcee or widow who has children from a marriage to a non- Saudi can subscribe on behalf of those children to her account in shares offered by companies in public offering provided she submits what proves she is either a divorcee or widow and what proves her motherhood of the minor children.

During the IPO, only a valid Iqama will be an acceptable form of identification for non Saudi dependents. Passports or birth certificates will not be accepted. Non Saudi dependents can only be included as dependents with their mothers and cannot subscribe as primary subscribers. The maximum age for non Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be notarized (attested) by a Saudi consulate or embassy.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 10 per Offer Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon fulfilment of the following conditions:

- (a) delivery by the Subscriber of the Subscription Application Form to the Selling Agents;
- (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and
- (c) delivery to the Subscriber by the Selling Agents the allotment letter specifying the number of Offer Shares allotted to him.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, BUPA Arabia shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Shares allocated to him or her.

Subscribers can submit their applications at Selling Agents' branches, through the internet, phone banking services or automated teller machines of those Selling Agents that provide some, or all, of these subscription vehicles provided they have participated in one of the latest initial public offerings and:

- 1) have a bank account with one of the Selling Agents; and
- 2) the subscriber's information has not been changed.

15-2 Allocation and Refund

The Selling Agents shall open and operate escrow accounts named "BUPA Arabia IPO Account". Each Selling Agent shall deposit all amounts received by the Subscribers into such escrow accounts.

Each subscriber is allowed to subscribe for a minimum of 50 shares and a maximum of 100,000 shares. Each subscriber will be allocated a minimum of 50 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 50 Offer Shares in the event that the number of Subscribers exceeds 320,000 subscribers. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA. The refund (if any) will be made without charging any commissions or deductions by the Selling Agents.

The final number of Offer Shares allocated to each Subscriber, together with any refund due to the Subscriber, is expected to be announced no later than 12/3/1429H (corresponding to 20/3/2008G).

The Selling Agents will send confirmation/notification letters, to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Selling Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Refunds will be made in full without any charge or withholding by crediting Subscribers' accounts at the respective bank. Subscribers should communicate with the branch of the Selling Agents where they submitted their Subscription Application Form for any further information.

15-3 Acknowledgements

By completing and delivering the Subscription Application Form, the Subscriber:

- ▶ accepts subscribing for the Company's shares with the number of shares specified in the Subscription Application Form;
- ▶ warrants that the Subscriber has read the Prospectus and understood all its contents;
- ▶ accepts the Bylaws of the Company and all subscription instructions and terms mentioned in the Prospectus;
- ▶ keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could effect the Subscriber's decision to purchase the Shares;
- ▶ declares that neither the Subscriber nor any of the Subscriber's family members included in the Subscription Application Form has previously subscribed to BUPA Arabia shares and the Company has the right to reject all applications;
- ▶ accepts the number of shares allocated to the Subscriber and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form;
- ▶ warrants not to cancel or amend the Subscription Application Form after submitting it to the Selling Agents.

15-4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The Prospectus has been issued in both Arabic and English Languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

15-5 The Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabia equities was introduced. The market capitalisation was SAR 1.69 trillion at the closing day of 6 February 2008. 113 companies are listed on Tadawul as of that date.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 am to 3:30 pm. Orders can be entered, amended or deleted from 10:00 am until 11:00 am. New entries and inquiries can be made from 10:00 am of the opening phase (starting at 11:00 am).

The system starts opening procedures; it establishes the opening prices and determines orders to be executed according to the matching rules.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public.

Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

15-6 Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul upon finalisation of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Furthermore, Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

16 Documents Available for Inspection

The following documents will be available for inspection at BUPA Arabia's registered office in Jeddah, between the hours of 9.00 am to 5.00 pm Saturday to Wednesday one week prior to and during the Offering Period:

- ▶ Company's notarized Articles of Association;
- ▶ Certificate by SAGIA, allowing the foreign shareholders to invest in the Company;
- ▶ Proposed Bylaws;
- ▶ Council of Ministers Resolution No. 279 dated 281428/8/H (corresponding to 102007/9/G) authorizing the incorporation of the Company;
- ▶ Royal Decree No M/74 dated 291428/8/H (corresponding to 112007/9/G authorizing the incorporation of the Company;
- ▶ CMA approval to the Offering;
- ▶ E&Y's written consent to the publication in the Prospectus of their Special Review Report and Letter on Agreed upon Procedures;
- ▶ Written consent from Legal Advisors, Mohammed Al-Sheikh in Association with White & Case LLP for the inclusion of their name as legal advisors to the Offering in the Prospectus;
- ▶ Written consent from Legal Advisors, Wragge & Co LLP for the inclusion of their name as legal advisors to the Acquisition in the Prospectus;
- ▶ Audited financial statements of BME for the last three years 2004, 2005, 2006;
- ▶ Copies of the reports on insurance market issued by SAMA, BMI and Swiss Re;
- ▶ The Special Review Report issued by E&Y;
- ▶ The Letter on Agreed upon Procedures issued by E&Y;
- ▶ Copies of the agreements the Company is contemplating to enter into with related parties;
- ▶ Copies of any other agreements the Company is contemplating to enter into.

17 Appendix 1: Special Review Report

ERNST & YOUNG

DR. ABDULLAH A. BAESHEN - COUNTRY CO-ORDINATING PARTNER

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Registration No. 45

REVIEW REPORT ON FORECASTED BALANCE SHEET TO BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY - (UNDER FORMATION)

We have reviewed the accompanying forecasted balance sheet of BUPA Arabia For Cooperative Insurance Company (Under Formation) ("the Company") as at 1 January 2008 (anticipated inception date) and the notes attached thereto numbered 1 to 7. This forecasted balance sheet is responsibility of the management of the Company (the management) and has been prepared and presented by them. Our responsibility is to express an opinion on this forecasted balance sheet and notes attached thereto based on our review. Our review was conducted in accordance with the Standard on Forecasted Financial Statements established by the Saudi Organisation for Certified Public Accountants and included such procedures as we considered necessary to obtain a reasonable degree of assurance to enable us to express an opinion on both the assumptions used by the management and the preparation and presentation of this forecasted balance sheet.

In our opinion, the accompanying forecasted balance sheet is presented and disclosed in conformity with the requirements of the Standard on the Forecasted Financial Statements established by the Saudi Organization for Certified Public Accountants and its underlying assumptions provide a reasonable basis for management's forecasts.

Events and circumstances frequently do not occur as expected and, therefore, the forecasted financial position may not occur and differences between the forecasted and actual financial position could be material. Since events and circumstances may change from time to time, we have no responsibility to update this report for events and circumstances occurring after the date of this report.

For Ernst & Young

احمد



Ahmed I. Reda
Certified Public Accountant
Registration No. 356

15 Dhul Qada 1428 H
25 November 2007

Jeddah

Dr. Abdullah A Baeshen (66), Abdulaziz A Alsowailim (277), Sami E Farah (168)
Abdulaziz Alshubaibi (339), Fahad M Al-Toaimi (354), Ahmed I Reda (356), Abdulhamid M Bushnaq (155)

Offices in the Kingdom : Alkhobar, Jeddah, Riyadh

BUPA Arabia For Cooperative Insurance Company
 (Under Formation)
FORECASTED BALANCE SHEET
 As at 1 January 2008 (Anticipated Inception Date)

	Note	SAR '000 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash to be paid in by founding shareholders	4	240,000
Projected cash from initial public offering	5	160,000
TOTAL CURRENT ASSETS		400,000
NON-CURRENT ASSETS		
Pre-operating expenses	6	19,301
TOTAL ASSETS		419,301
LIABILITY AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITY		
Payable to related parties	7	19,301
TOTAL CURRENT LIABILITY		19,301
SHAREHOLDERS' EQUITY		
Share capital to be paid in by founding shareholders	4	240,000
Forecasted share capital from initial public offering	5	160,000
		400,000
TOTAL LIABILITY AND SHAREHOLDERS' EQUITY		419,301

The attached notes 1 to 7 form an integral part of the forecasted balance sheet

BUPA Arabia For Cooperative Insurance Company
(Under Formation)
NOTES TO THE FORECASTED BALANCE SHEET
As at 1 January 2008 (Anticipated Inception Date)

1 ACTIVITIES

BUPA Arabia For Cooperative Insurance Company, a Saudi Joint Stock Company – Under Formation (the Company), is licensed to conduct insurance business in Saudi Arabia under cooperative principles in accordance with Royal Degree 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 objectives of the Company are to engage in providing medical insurance and related services in accordance with its Articles of Association, and applicable regulations in Saudi Arabia.

The Founders listed in Note 4 to the forecasted balance sheet are to hold 60% of the Company's share capital amounting to SAR 240 million. The remaining 40% of the share capital, amounting to SAR 160 million, will be offered for public subscription as set out in Note 5.

2 SIGNIFICANT ACCOUNTING POLICIES

The accompanying forecasted balance sheet has been prepared in accordance with accounting standards issued by the Saudi Organization for Certified Public Accounts ("SOCPA"). The significant accounting policies adopted are as follows:

Accounting convention

The forecasted balance sheet has been prepared under the historical cost convention.

Use of estimates

The preparation of forecasted balance sheet in conformity with generally accepted accounting principles requires the use of estimates and assumptions. Such estimates and assumptions may affect the balance reported for certain assets and liabilities as at the balance sheet date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current and future events and actions actual results may differ from those estimates.

Pre-operating expenses

Expenses incurred by the Company during the formation period, the licensing process and related to the Initial Public Offering (the Offering') are capitalised and reported as pre-operating expenses.

Pre-operating expenses with no future benefits will be charged to the statement of income during the first financial period of the Company. Pre-operating expenses that have future benefits will be amortised using the straight line basis over seven years or their estimated period of benefit, whichever is shorter.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for expenditure incurred by the founding shareholders for and on behalf of the Company.

3 USE OF ASSUMPTIONS AND ESTIMATES IN PREPARING THE PROSPECTIVE BALANCE SHEET

Management has made certain assumptions and estimates in the preparation of the forecasted balance sheet, as detailed in notes 4 to 7 below, which affect the balances of reported assets and liabilities. The forecasted balance sheet includes forecasts to the inception date and actual balances of assets and liabilities could differ from the disclosed balances, as events frequently do not occur as planned.

BUPA Arabia For Cooperative Insurance Company
(Under Formation)
NOTES TO THE FORECASTED BALANCE SHEET (Continued)
As at 1 January 2008 (Anticipated Inception Date)

4 CASH PAID IN BY FOUNDING SHAREHOLDERS

No.	Name of the shareholder	Number of shares (unaudited)	Share capital paid SAR '000 (unaudited)
1	BUPA Middle East Holdings Limited	9,000,000	90,000
2	BUPA Investment Overseas Limited	6,000,000	60,000
3	Nazer Group Company Limited	2,000,000	20,000
4	ASAS Health Care Company Limited	2,000,000	20,000
5	Modern Computer Programs Company Limited	2,000,000	20,000
6	Dr. Suliman Al-Habib Medical Centre	1,000,000	10,000
7	Ahmed Mohammed Abdul Wahab Naghi & Sons Company	1,000,000	10,000
8	Ramez Mahmoud Al Halabi and Son Company	500,000	5,000
9	MADAF Trading and Contracting Company Limited	500,000	5,000
		24,000,000	240,000

5 FORECASTED SHARE CAPITAL FROM INITIAL PUBLIC OFFERING

This represents 40% of the share capital of SAR 400 million, amounting to SAR 160 million, which consists of 16 million shares at a par value of SAR 10 each to be offered for subscription through an initial public offering.

6 PRE-OPERATING EXPENSES

	SAR '000 (unaudited)
Statutory charges	1,282
Professional fees	7,561
Offering expenses	5,625
Financing charges	4,383
Other	450
	19,301

7 RELATED PARTY TRANSACTIONS AND BALANCES

An amount of SAR 19,301,000 is payable to BUPA Middle East Limited E.C. (BME) in respect of pre-operating expenses paid by BME on behalf of the Company. BME is owned by two of the founding shareholders of the Company, namely BUPA Investment Overseas Limited and Nazer Group Company Limited.

18 Appendix 2: Auditors' Letter on Agreed Upon Procedures



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Registration No. 45

Date: 7 Safar 1429 H
Corresponding to: 14 February 2008

BUPA Arabia For Cooperative Insurance Company – Under Formation
Jeddah
Kingdom of Saudi Arabia

Dear Sirs

AGREED UPON PROCEDURES REPORT

We have performed the procedures agreed upon with you, in connection with BUPA Arabia for Cooperative Insurance Company (a Saudi Joint Stock Company - Under Formation) (“the Company”), which is registered pursuant to the Council of Ministers resolution number 279 dated 28 Shabaan 1428 H (corresponding to 10 September 2007). Our work was performed as per our letter of engagement dated 7 October 2007 (corresponding to 25 Ramadan 1428 H) as enumerated below, for the purpose of issuing a review report on the forecasted balance sheet of the Company (included in the subscription prospectus) as at 1 January 2008 (the anticipated inception date).

The engagement to apply the agreed upon procedures was made in accordance with the standards established by Saudi Organization for Certified Public Accountants. You are solely responsible in respect of the sufficiency of these procedures. Accordingly, we do not issue any statement on the sufficiency of the procedures stated below whether for the purpose of which this report is intended or for any other purpose.

Our procedures were as follows:

- 1) Obtain the forecasted balance sheet of the Company as at 1 January 2008, prepared in November 2007, along with the notes thereon and the forecasted trial balance, as of that date, as prepared by the Company. Agree the forecasted balance sheet to the forecasted trial balance.
- 2) Obtain detailed statement of account for the pre-operating expenses that are reported in the forecasted balance sheet as of 1 January 2008. Inspect related underlying documents that support transactions covering 100% of these balances, and assess the recording of these transactions.
- 3) Inspect the bank certificate that supports the deposit of share capital by the founding shareholders.

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Offices in the Kingdom : Alkhobar, Jeddah, Riyadh

- 4) Interview staff of Accounting Department who are responsible for financial statements preparation and inquire from them whether they are aware of any amounts or transactions that have not been recorded or adjustments that have not yet been made.

Based on the procedures performed by us, as described above, we report as follows:

- 1) The forecasted balance sheet of the Company as at 1 January 2008, prepared in November 2007, is in agreement with the forecasted trial balance.
- 2) Transactions relating to pre-operating expenses, up to 30 September 2007, inspected by us, amounting to SR 6,842 K (35.5% of the balance), were adequately supported and these transactions were accurately recorded. The transactions forecasted by the management during the period from 1 October 2007 to the inception date, amounting to SR 12,459 K (64.5% of the balance) are in accordance with the founding shareholders' representations and commercial assumptions.
- 3) The proposed share capital of the Company is SR 400 million. We have been provided a copy of the letter issued by Saudi British Bank, confirming that SR 240 million is held in a bank account in the name of "BUPA Arabia For Cooperative Insurance Company – Under Formation".
- 4) The Accounting Department Staff has confirmed to us that all amounts and transactions were recorded in the forecasted balance sheet and there are no adjustments to be made to this statement.

Events and circumstances frequently do not occur as expected and, therefore, the forecasted financial position may not occur and differences between the forecasted and actual financial position could be material. Since events and circumstances may change from time to time, we have no responsibility to update this report for events and circumstances occurring after the date of this report.

Our procedures performed above are neither an audit nor review conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia as established by Saudi Organisation for Certified Public Accountants. Accordingly, we do not give audit or review assurance on the forecasted balance sheet as of 1 January 2008 and assumptions thereon. Had we performed additional procedures, other matters might have come to our attention, which would have been reported to you.



BUPA Arabia For Cooperative Insurance Company
(Under Formation)

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We understand that our report will solely be used by the Company for inclusion in the subscription prospectus and should not be used for any other purpose or submitted to any party other than the Capital Market Authority.

Yours faithfully
For Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Registration No. 356



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