

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND TWELVE-MONTH
PERIODS ENDED 31 DECEMBER 2011**



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



Al Fozan & Al Sadhan
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No.46/11/323 issued 11/3/1992

REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

THE SHAREHOLDERS BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY) KINGDOM OF SAUDI ARABIA

Scope of review

We have reviewed the accompanying interim statement of financial position of Bupa Arabia For Cooperative Insurance Company – a Saudi Joint Stock Company (“the Company”) as at 31 December 2011, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations and comprehensive income for the three-month and twelve-month periods then ended, and the related interim statements of insurance operations’ cash flows, shareholders’ cash flows and changes in shareholders’ equity for the twelve-month period then ended. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standard (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

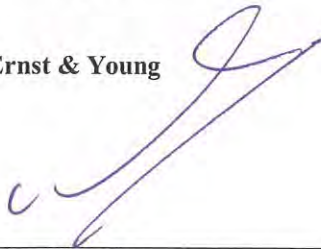
Conclusion

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

Emphasis of matter

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

Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356

for KPMG Al Fozan & Al Sadhan



Ebrahim Oboud Baeshen
Certified Public Accountant
License No. 382



Jeddah, Kingdom of Saudi Arabia
27 Safar 1433H
21 January 2012




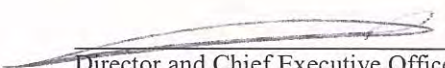
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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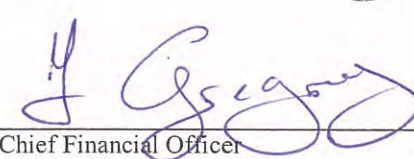
INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	<i>Notes</i>	<i>31 December 2011 SR'000 (Unaudited)</i>	<i>31 December 2010 SR'000 (Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	609,914	346,908
FVIS investments	5	187,699	257,178
Prepayments and other assets		30,069	20,881
Premiums receivable – gross	6	403,936	520,004
Allowance for doubtful premiums receivable		(64,106)	(30,164)
Premiums receivable – net		339,830	489,840
Deferred policy acquisition costs		21,097	15,470
Total insurance operations' assets		1,188,609	1,130,277
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	13,631	13,631
FVIS investments	5	373,534	299,462
Other receivables		244	-
Amount due from insurance operations		-	48,761
Goodwill	1	98,000	98,000
Furniture, fittings and equipment		41,565	38,703
Statutory deposit		40,000	40,000
Total shareholders' assets		566,974	538,557
TOTAL ASSETS		1,755,583	1,668,834


Chairman


Director and Chief Executive Officer


Chief Financial Officer


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

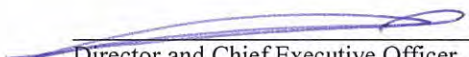
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

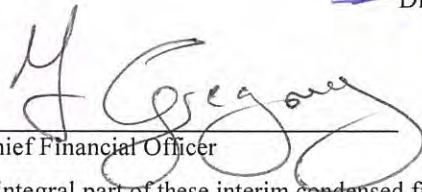
INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2011

	<i>Notes</i>	<i>31 December 2011 SR'000 (Unaudited)</i>	<i>31 December 2010 SR'000 (Audited)</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities:			
Unearned premiums		722,739	659,819
Outstanding claims	7	381,265	352,379
Reinsurance balance payable		702	1,269
		<u>1,104,706</u>	<u>1,013,467</u>
Accrued expenses and other liabilities		59,503	50,508
Obligation under Long-Term Incentive Plan (LTIP)		4,846	3,477
		<u>1,169,055</u>	<u>1,067,452</u>
Amount due to shareholders' operations		-	48,761
Policyholders' share of surplus from insurance operations		19,554	14,064
		<u>1,188,609</u>	<u>1,130,277</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities		21,352	13,855
Accrued Zakat and income tax	9	15,437	7,905
Amount due to a related party in respect of goodwill	1&3	3,355	20,990
Amount due to related parties		4,400	2,818
		<u>44,544</u>	<u>45,568</u>
Shareholders' equity			
Share capital		400,000	400,000
Shares held under Employees' Share Scheme		(2,910)	(2,709)
Statutory reserve		32,143	23,694
Retained earnings		93,197	72,004
		<u>522,430</u>	<u>492,989</u>
Total shareholders' equity		<u>522,430</u>	<u>492,989</u>
Total shareholders' liabilities and equity		<u>566,974</u>	<u>538,557</u>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		<u>1,755,583</u>	<u>1,668,834</u>


Chairman


Director and Chief Executive Officer


Chief Financial Officer

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

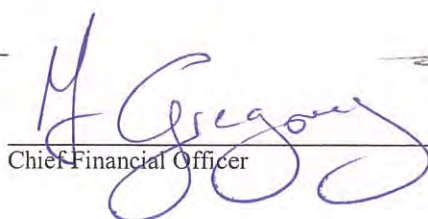
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2011

	Notes	Three-month period ended 31 December		Twelve-month period ended 31 December	
		2011 SR'000	2010 SR'000	2011 SR'000	2010 SR'000 (Audited)
REVENUE					
Gross written premiums		306,862	308,848	1,993,251	1,749,390
Premiums ceded		(703)	(856)	(2,702)	(3,180)
Net written premiums		306,159	307,992	1,990,549	1,746,210
Net movement in net unearned premium		195,599	129,726	(62,920)	(137,302)
Net earned premiums		501,758	437,718	1,927,629	1,608,908
CLAIMS					
Gross claims paid		436,103	301,975	1,523,835	1,232,218
Claims recovered		(1,201)	(1,235)	(1,691)	(1,235)
Net claims paid		434,902	300,740	1,522,144	1,230,983
Net movement in outstanding claims	7	(11,052)	55,821	28,886	77,120
Net claims incurred		423,850	356,561	1,551,030	1,308,103
NET UNDERWRITING RESULT		77,908	81,157	376,599	300,805
INVESTMENT AND COMMISSION INCOME		2,437	3,062	2,341	3,820
OTHER INCOME		107	22	613	381
EXPENSES					
Selling and marketing		(10,254)	(28,034)	(182,169)	(123,689)
General and administration		(35,471)	(27,238)	(142,480)	(100,199)
SURPLUS FROM INSURANCE OPERATIONS		34,727	28,969	54,904	81,118
Shareholders' share of surplus from insurance operations		(31,255)	(26,072)	(49,414)	(73,006)
Policyholders' share of surplus from insurance operations		3,472	2,897	5,490	8,112
Policyholders' share of surplus from insurance operations at the beginning of the period		16,082	11,167	14,064	5,952
Policyholders' share of accumulated surplus from insurance operations at the end of the period		19,554	14,064	19,554	14,064


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Chief Financial Officer


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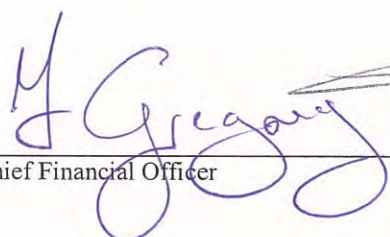
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2011

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2011 SR'000</i>	<i>2010 SR'000</i>	<i>2011 SR'000</i>	<i>2010 SR'000 (Audited)</i>
REVENUE				
Shareholders' share of surplus from insurance operations	31,255	26,072	49,414	73,006
EXPENSES				
General and administration (see note 3 & 8(b))	(4,961)	(2,717)	(6,916)	(6,275)
	26,294	23,355	42,498	66,731
Investment income/(loss)	2,057	3,009	(254)	4,067
NET INCOME FOR THE PERIOD	28,351	26,364	42,244	70,798
Weighted average number of ordinary shares outstanding (in thousands)	39,853	40,000	39,865	39,942
Basic and diluted income per share (in Saudi Arabian Riyals)	0.71	0.66	1.06	1.77


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Chief Financial Officer


Director and Chief Executive Officer

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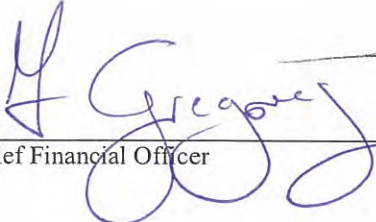
BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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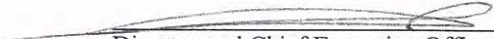
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2011

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2011 SR'000</i>	<i>2010 SR'000</i>	<i>2011 SR'000</i>	<i>2010 SR'000 (Audited)</i>
NET INCOME FOR THE PERIOD	28,351	26,364	42,244	70,798
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	28,351	26,364	42,244	70,798


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Chief Financial Officer


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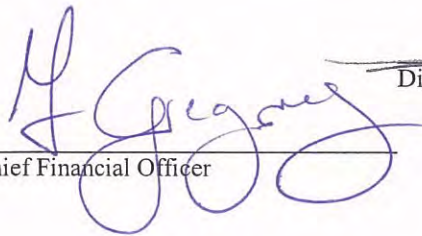
**BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
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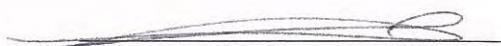
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(UNAUDITED)**

For the twelve-month period ended 31 December 2011

	Notes	<i>Twelve-month period ended 31 December</i>	
		<i>2011 SR'000</i>	<i>2010 SR'000 (Audited)</i>
OPERATING ACTIVITIES			
Policyholders' share of surplus for the twelve-month period		5,490	8,112
Adjustment for:			
Depreciation		10,894	11,606
Net movement in unearned premiums		62,920	137,302
Allowance for doubtful premiums receivable		33,942	30,164
Deferred policy acquisition costs		(5,627)	(706)
Unrealised loss/(gain) on investments	5	645	(3,213)
		<u>108,264</u>	<u>183,265</u>
Changes in assets and liabilities:			
Premiums receivable		116,068	(112,606)
Prepayments and other assets		(9,188)	7,942
Outstanding claims	7	28,886	77,120
Due to shareholders' operations		15,179	(2,425)
Reinsurance balance payable		(567)	1,180
Accrued expenses and other liabilities		8,995	(1,242)
Obligation under LTIP		1,369	3,477
Net cash from operating activities		<u>269,006</u>	<u>156,711</u>
INVESTING ACTIVITIES			
Purchase of investments	5	(6,000)	(253,965)
Net cash used in investing activities		<u>(6,000)</u>	<u>(253,965)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>263,006</u>	<u>(97,254)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>346,908</u>	<u>444,162</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u><u>609,914</u></u>	<u><u>346,908</u></u>


Chairman



Chief Financial Officer

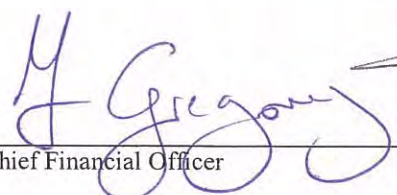

Director and Chief Executive Officer

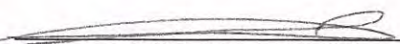
The accompanying notes 1 to 12 form an integral part of three interim condensed financial statements.

BUPA ARABIA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
For the twelve-month period ended 31 December 2011

	<i>Notes</i>	<i>Twelve-month period ended 31 December</i>	
		<i>2011</i>	<i>2010</i>
		<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES			
Net comprehensive income for the twelve-month period		42,244	70,798
Adjustment for:			
Unrealised loss/(gain) on investments	5	762	(3,427)
		43,006	67,371
Changes in assets and liabilities:			
Accrued income		-	613
Accrued expenses and other liabilities		7,497	2,519
Amount due to related parties		1,582	2,818
Amount due to related party in respect of goodwill		3,355	-
Due from insurance operations		(15,179)	2,425
Other receivables		(244)	-
		40,017	75,746
Zakat and income tax paid	9	(5,070)	(14,866)
Net cash from operating activities		34,947	60,880
INVESTING ACTIVITIES			
Purchase of furniture, fittings and equipment		(13,756)	(29,284)
Purchase of shares held under LTIP		(1,401)	(2,709)
Disposal of shares held under LTIP		1,200	-
Purchase of investments	5	-	(296,035)
Amount paid to related party in respect of goodwill	3	(20,990)	(28,010)
Net cash used in investing activities		(34,947)	(356,038)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		-	(295,158)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		13,631	308,789
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	13,631	13,631


Chairman


Chief Financial Officer


Director and Chief Executive Officer

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

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the twelve-month period ended 31 December 2011

		<i>Shares held under Employees'</i>				
	<i>Notes</i>	<i>Share capital SR'000</i>	<i>Share Scheme SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance at 31 December 2010 (Audited)		400,000	(2,709)	23,694	72,004	492,989
Total comprehensive income for the twelve-month period ended 31 December 2011		-	-	-	42,244	42,244
Transfer to statutory reserve		-	-	8,449	(8,449)	-
Zakat for the twelve-month period ended 31 December 2011	9	-	-	-	(8,217)	(8,217)
Income tax for the twelve-month period ended 31 December 2011	9	-	-	-	(4,385)	(4,385)
Partial disposal of shares held under LTIP		-	1,200	-	-	1,200
Purchase of additional shares held under LTIP		-	(1,401)	-	-	(1,401)
Balance at 31 December 2011		400,000	(2,910)	32,143	93,197	522,430

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

Chairman

Chief Financial Officer

Director and Chief Executive Officer

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 December 2011

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Bupa Arabia For Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 138/K dated 24 Rabi Thani 1429 H (corresponding to 1 May 2008). The Registered Office address of the Company is situated at:

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2a Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

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

2c Standards issued but not yet effective

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

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013

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

2d Change in accounting estimate

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

3 TRANSFER OF PORTFOLIO

Amount payable to the Seller (related party) in respect of goodwill (refer note 1):

	<i>31 December 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
Balance at the beginning of the period/year	20,990	49,000
Compensation for outstanding goodwill (see note below)	3,355	-
Paid during the period/year	(20,990)	(28,010)
Balance at the end of the period/year	<u>3,355</u>	<u>20,990</u>

In accordance with the agreement between the Seller and the Company, the Seller is entitled to additional compensation, not exceeding 5% per annum on the outstanding amounts payable to them. Accordingly, during the three-month period ended 31 December 2011, a sum of SR 3,355 thousands payable to the Seller is accrued and charged to general and administration expenses in the interim statement of shareholders' operations. This amount is payable on receipt of the approval from the Saudi Arabian Monetary Agency (refer note 8).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

4 CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents comprised the following:

	<i>31 December 2011 (Unaudited) SR'000</i>	<i>31 December 2010 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in bank	194,556	121,763
Murabaha deposits maturing within 90 days	415,358	225,145
	<u>609,914</u>	<u>346,908</u>
<i>Shareholders' Operations</i>		
Cash in bank	<u>13,631</u>	<u>13,631</u>

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

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

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5 INVESTMENTS

The carrying amount of the investments, classified as fair value through statement of income (FVIS), at 31 December 2011 was as follows:

	<i>31 December</i> <i>2011</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2010</i> <i>(Audited)</i> <i>SR'000</i>
<i>Units in open ended mutual fund</i>		
Insurance operations	187,699	257,178
Shareholders' operations	373,534	299,462
	<u>561,233</u>	<u>556,640</u>

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

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

	<i>31 December</i> <i>2011</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2010</i> <i>(Audited)</i> <i>SR'000</i>
<i>Insurance operations</i>		
Balance at the beginning of the period/year	257,178	-
Purchased during the period/year	6,000	253,965
Transferred to shareholders' operations (see note below)	(74,834)	-
Unrealised (loss)/gain during the period/year	(645)	3,213
Balance at the end of the period/year	<u>187,699</u>	<u>257,178</u>
<i>Shareholders' operations</i>		
Balance at the beginning of the period/year	299,462	-
Purchased during the period/year	-	296,035
Transferred from insurance operations (see note below)	74,834	-
Unrealised (loss)/gain during the period/year	(762)	3,427
Balance at the end of the period/year	<u>373,534</u>	<u>299,462</u>

As at 31 December 2011, a sum of SR 74,834 thousands was payable to the shareholders' operations by the insurance operations. This amount was settled by transfer of investments of an equivalent amount to shareholders' operations as at that date.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2011

6 PREMIUMS RECEIVABLE, NET

In order to comply with the 'Implementing Regulations' and the requirements of the Saudi Arabian Monetary Agency, the Company changed its method of provisioning for doubtful debts from premium invoiced basis (i.e. based on aging from the invoiced due date of the premium receivable) to premium written basis (i.e. based on aging from the inception date of the policy). This change in estimation basis has been applied prospectively from 1 January 2011.

7 NET MOVEMENT IN THE OUTSTANDING CLAIMS

	<i>Three-month period ended 31 December</i>		<i>Twelve-month period ended 31 December</i>	
	<i>2011 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>	<i>2010 (Unaudited) SR'000</i>
<i>Insurance Operations</i>				
Outstanding claims at the end of the period	381,265	352,379	381,265	352,379
Outstanding claims at the beginning of the period	(392,317)	(296,558)	(352,379)	(275,259)
Net movement in the outstanding claims	(11,052)	55,821	28,886	77,120

As at 31 December 2011, all the outstanding claims which are covered by XOL reinsurance, are lower than the XOL limit and therefore no reinsurance recovery has been booked in these reserves in these interim financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

8 TRANSACTIONS WITH RELATED PARTIES

The following are the details of major related party transactions during the twelve-month period ended 31 December 2011 and the related balance at the period end:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>Twelve-month period ended 31 December 2011 (Unaudited) SR'000</i>	<i>Twelve-month period ended 31 December 2010 (Unaudited) SR'000</i>
Shareholders' Operations			
Bupa Middle East Limited E.C. (Affiliate)	Payment in respect of Goodwill (note 3)	20,990	28,010
	Compensation for outstanding goodwill consideration (note 3 and note (c) below)	3,355	-
ASAS Health Care Company Limited (ASAS – Affiliate)	Payments made on behalf of the Company and recharged to the Company	-	(513)
Insurance Operations			
Related parties	Premiums written	25,791	27,829
	Claims paid	13,962	10,309
	Medical cost payments to a provider (see note (a) below)	100,950	65,461
	Trade mark fee	1,930	2,818
Key management personnel	Short-term benefits	8,772	8,881
	Long-term benefits	2,343	308
	Purchase of Company shares (note (d) below)	143	-

- a) The related party is a hospital provider where any of Bupa Arabia's entitled customers, and their qualified members, can use the facilities of the related party. The Company makes payments for all medical costs of all its contracts, to this provider related party, in accordance with the contractual terms of agreement with the provider related party on an arm's length basis.
- b) During 2011, the Company initiated a Corporate Social Responsibility (CSR) program involving the provision of health cover to orphans in the Kingdom of Saudi Arabia. The health insurance premiums and associated medical claims costs of the contracts of these orphans are borne by the Company. Further, the costs associated with the orphans health cover was SR 19 thousands and is charged to interim statement of Shareholders' Operations as part of general and administration expense.
- c) In accordance with the agreement between the Seller and the Company, the Seller is entitled to an additional compensation, which has been accrued for during the three-month period ended 31 December 2011 (note 3).
- d) On 3 December 2011, a senior management personnel purchased 7,000 shares of the Company from Tadawul (Saudi Stock Exchange), for SR 143 thousands, after obtaining the approval from SAMA and CMA. The fair value of the shares as at 31 December 2011 is SR 156 thousands.

Amount due to related parties is disclosed in the interim statement of financial position. Net premiums receivable include premiums receivable from related parties amounting to SR 1,248 thousands (31 December 2010: SR 2,559 thousands).

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

9 ZAKAT AND INCOME TAX

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

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

	<i>Zakat payable (Unaudited) SR'000</i>	<i>Income tax payable (Unaudited) SR'000</i>	<i>Total 31 December 2011 (Unaudited) SR'000</i>	<i>Total 31 December 2010 (Audited) SR'000</i>
At the beginning of the period/year	7,317	588	7,905	10,318
Provided during the period/year	8,217	4,385	12,602	12,453
Payments during the period/year	(1,446)	(3,624)	(5,070)	(14,866)
Balance at end of the period/year	<u>14,088</u>	<u>1,349</u>	<u>15,437</u>	<u>7,905</u>

Status of assessments

As required by Saudi Arabian fiscal regulations, Zakat and income tax returns have been filed with the Department of Zakat and Income Tax ("DZIT") for the period from 1 May 2008 to 31 December 2008 and for the years ended 31 December 2009 and 2010. However, Zakat and income tax assessments for the period from 1 May 2008 to 31 December 2008 and years ended 31 December 2009 and 2010 have not yet been raised by the DZIT.

10 SEASONALITY AND SEGMENT INFORMATION

a) SEASONALITY

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

b) SEGMENT INFORMATION

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

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

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

Segment liabilities do not include accruals and other liabilities, amount due to shareholders' operations and policyholders' share of surplus from insurance operations.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the three-month period ended 31 December 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	114,483	192,379	306,862
Premium ceded	(355)	(348)	(703)
Net written premiums	114,128	192,031	306,159
Net movement in net unearned premiums	72,974	122,625	195,599
Net earned premiums	187,102	314,656	501,758
Gross claims paid	230,917	205,186	436,103
Claims recovered	(699)	(502)	(1,201)
Net claims paid	230,218	204,684	434,902
Net movement in outstanding claims	(5,858)	(5194)	(11,052)
Net claims incurred	224,360	199,490	423,850
Net underwriting result	(37,258)	115,166	77,908
Unallocated income	-	-	2,544
Unallocated expenses	-	-	(45,725)
Surplus from insurance operations			34,727

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) **SEGMENT INFORMATION (continued)**

	<i>For the three-month period ended 31 December 2010</i>		
	Major <i>SR'000</i>	Non-major <i>SR'000</i>	Total <i>SR'000</i>
Gross written premiums	179,665	129,183	308,848
Premium ceded	(481)	(375)	(856)
Net written premiums	179,184	128,808	307,992
Net movement in net unearned premiums	63,947	65,779	129,726
Net earned premiums	243,131	194,587	437,718
Gross claims paid	184,112	117,863	301,975
Claims recovered	(735)	(500)	(1,235)
Net claims paid	183,377	117,363	300,740
Net movement in outstanding claims	34,034	21,787	55,821
Net claims incurred	(217,411)	(139,150)	(356,561)
Net underwriting result	25,720	55,437	81,157
Unallocated income	-	-	3,084
Unallocated expenses	-	-	(55,272)
Surplus from insurance operations			28,969

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) SEGMENT INFORMATION (continued)

	<i>For the twelve-month period ended 31 December 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	977,696	1,015,555	1,993,251
Premium ceded	(1,378)	(1,324)	(2,702)
Net written premiums	976,318	1,014,231	1,990,549
Net movement in net unearned premiums	(52,283)	(10,637)	(62,920)
Net earned premiums	924,035	1,003,594	1,927,629
Gross claims paid	829,576	694,259	1,523,835
Claims recovered	(984)	(707)	(1,691)
Net claims paid	828,592	693,552	1,522,144
Net movement in outstanding claims	15,726	13,160	28,886
Net claims incurred	844,318	706,712	1,551,030
Net underwriting result	79,717	296,882	376,599
Unallocated income	-	-	2,954
Unallocated expenses	-	-	(324,649)
Surplus from insurance operations			54,904

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 December 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) **SEGMENT INFORMATION (continued)**

	<i>For the twelve-month period ended 31 December 2010</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Gross written premiums	934,666	814,724	1,749,390
Premium ceded	(1,699)	(1,481)	(3,180)
Net written premiums	932,967	813,243	1,746,210
Net movement in net unearned premiums	(66,952)	(70,350)	(137,302)
Net earned premiums	866,015	742,893	1,608,908
Gross claims paid	702,396	529,822	1,232,218
Claims recovered	(720)	(515)	(1,235)
Net claims paid	701,676	529,307	1,230,983
Net movement in outstanding claims	50,715	26,405	77,120
Net claims incurred	(752,391)	(555,712)	(1,308,103)
Net underwriting result	113,624	187,181	300,805
Unallocated income	-	-	4,201
Unallocated expenses	-	-	(223,888)
Surplus from insurance operations			81,118

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 31 December 2011

10 SEASONALITY AND SEGMENT INFORMATION (continued)

b) **SEGMENT INFORMATION (continued)**

	<i>As at 31 December 2011</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable - gross	217,196	186,740	403,936
Allowance for doubtful premiums receivable	(35,245)	(28,861)	(64,106)
Premiums receivable - net	181,951	157,879	339,830
Deferred policy acquisition costs	10,348	10,749	21,097
Unallocated assets	-	-	827,682
Total			1,188,609
Insurance operations' liabilities and surplus			
Unearned premiums	368,233	354,506	722,739
Outstanding claims	207,561	173,704	381,265
Unallocated liabilities and surplus	-	-	84,605
Total			1,188,609

	<i>As at 31 December 2010</i>		
	Major SR'000	Non-major SR'000	Total SR'000
Insurance operations' assets			
Premiums receivable – gross	256,351	263,653	520,004
Allowance for doubtful premiums receivable	(1,482)	(28,682)	(30,164)
Premiums receivable, net	254,869	234,971	489,840
Deferred policy acquisition costs	7,008	8,462	15,470
Unallocated assets	-	-	624,967
Total			1,130,277
Insurance operations' liabilities and surplus			
Unearned premiums	298,884	360,935	659,819
Outstanding claims	202,680	149,699	352,379
Unallocated liabilities and surplus	-	-	118,079
Total			1,130,277

11 COMPARATIVE FIGURES

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

12 BOARD OF DIRECTORS' APPROVAL

These financial statements have been approved by the Board of Directors on 16 January 2012.