

**AXA COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

**AXA COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW**  
**REPORT**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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KPMG Al Fozan & Partners  
Certified Public Accountants



Audit - Consultants - Zakat & Tax

Al-Bassam & Al-Nemer  
Allied Accountants  
(Member firm of PKF International)

## INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

To The Shareholders of  
AXA Cooperative Insurance Company  
(A Saudi Joint Stock Company)

### Introduction

We have reviewed the accompanying interim statement of financial position of AXA Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at March 31, 2017, the related interim statement of income - insurance operations and accumulated surplus, interim statement of income - shareholders' operations and interim statement of comprehensive income - shareholders' operations for the three month period then ended, and the interim statements of changes in shareholders' equity, insurance operations cash flows and shareholders' operations cash flows for the period then ended and the related notes 1 through 16 which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" and SAMA guidance for the accounting of zakat and tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of AXA Cooperative Insurance Company are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and SAMA guidance for the accounting of zakat and tax.

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License No. 327

11 May 2017G  
15 Shaban 1438H



AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2017  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

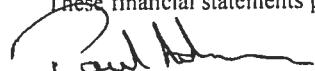
	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	181,051	132,662
Short-term deposits		437,725	380,074
Premiums and insurance balances receivable	6	349,571	148,092
Less: Provision for doubtful debts		(25,420)	(25,420)
Premiums and insurance balances receivable - net		324,151	122,672
Reinsurers' share of unearned premiums		100,900	29,078
Reinsurers' share of outstanding claims		120,699	105,316
Deferred policy acquisition costs		42,978	19,130
Available-for-sale investments	4	166,076	134,810
Other assets		18,463	18,456
Long-term deposit		110,880	7,500
Held-to-maturity investments	4	75,000	75,000
Furniture, fixtures and equipment		6,338	6,070
Intangible assets - computer software		7,590	7,984
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>1,591,851</b>	<b>1,038,752</b>
<b>SHAREHOLDERS' ASSETS</b>			
Short-term deposits		60,000	60,000
Available-for-sale investments	4	161,795	160,466
Other assets		5,287	3,515
Accrued commission on statutory deposits		579	710
Long-term deposits		116,250	116,250
Held-to-maturity investments	4	60,000	60,000
Goodwill on acquisition of insurance portfolio	11	50,000	50,000
Due from insurance operations		39,183	25,448
Statutory deposit	5	45,000	45,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>538,094</b>	<b>521,389</b>
<b>TOTAL ASSETS</b>		<b>2,129,945</b>	<b>1,560,141</b>


The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

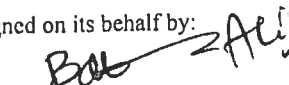
AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF FINANCIAL POSITION (Continued)  
AS AT MARCH 31, 2017  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS</b>			
Insurance operations' liabilities			
Reinsurers' balances payable	6	122,335	33,547
Unearned premiums		650,804	290,295
Outstanding claims		613,195	557,152
Advance premiums		3,304	7,339
Unearned reinsurance commission		11,518	5,424
Accrued and other liabilities		116,805	86,296
Due to related parties	6	1,236	3,534
Employee end of service benefits		23,078	22,402
Due to shareholders' operations		39,183	25,448
Total insurance operations' liabilities		1,581,458	1,031,437
Insurance operations' accumulated surplus			
Accumulated surplus from insurance operations		9,661	8,198
Fair value gain / (loss) on available-for-sale investments		732	(883)
Total insurance operations' accumulated surplus		10,393	7,315
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>1,591,851</b>	<b>1,038,752</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
Shareholders' liabilities			
Accrued Zakat and tax	7	22,709	18,961
Accrued and other liabilities		1,275	1,020
Commission on statutory deposits payable		2,087	1,859
Total shareholders' liabilities		26,071	21,840
Shareholders' equity			
Share capital	8	450,000	450,000
Statutory reserve	9	13,655	11,150
Fair value reserve		678	830
Performance share reserve	10	741	640
Retained earnings		46,949	36,929
Total shareholders' equity		512,023	499,549
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>538,094</b>	<b>521,389</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>2,129,945</b>	<b>1,560,141</b>
Contingencies and commitments	14		

These financial statements presented on pages 1 to 20 are approved by the Board and signed on its behalf by:

  
Paul Adamson  
Managing Director

  
Gary Lewin  
Chief Executive Officer

  
Babar Ali Khan  
Chief Financial Officer

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

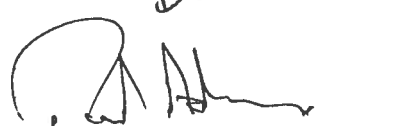
**AXA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For three-months period ended	
		March 31,	
		2017	2016
		(Unaudited)	(Unaudited)
<b>REVENUES</b>			
Gross premiums written	15,6	721,242	450,753
Less: Reinsurance premiums ceded	15,6	(124,056)	(20,123)
Net premiums written		597,186	430,630
Changes in gross unearned premiums		(360,509)	(169,881)
Changes in reinsurance share of unearned premiums		71,822	(7,514)
Net premiums earned		308,499	253,235
Reinsurance commission earned	15,6	5,961	4,005
Commission income		5,489	2,521
Total revenues		319,949	259,761
<b>COSTS AND EXPENSES</b>			
Gross claims paid	15,6	226,712	189,986
Less: Reinsurers' share of claims paid	15,6	(14,677)	(21,884)
Net claims paid		212,035	168,102
Changes in outstanding claims, net	15,6	40,660	39,250
Net claims incurred		252,695	207,352
Policy acquisition costs	15,6	22,875	17,589
General and administrative expenses		29,746	22,655
Total costs and expenses		305,316	247,596
Net surplus from insurance operations		14,633	12,165
Shareholders' appropriation of surplus		(13,170)	(10,949)
Net results from insurance operations after appropriation of surplus		1,463	1,216
Accumulated surplus, beginning of the period		8,198	5,357
Accumulated surplus, end of the period		9,661	6,573

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited)
Net surplus transferred from insurance operations		13,170	10,949
Commission income		3,441	2,644
General and administrative expenses		<u>(338)</u>	<u>(351)</u>
Shareholders' net income for the period		<u>16,273</u>	<u>13,242</u>
Weighted average number of outstanding shares ('000')	13	<u>45,000</u>	<u>45,000</u>
Basic and diluted earnings per share (Saudi Riyals)	13	<u>0.362</u>	<u>0.294</u>

CS: *[Signature]*  
*[Signature]*

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF COMPERHENSIVE INCOME - SHAREHOLDERS' OPERATIONS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited)
Shareholders' net income for the period		16,273	13,242
Performance shares re-measurement on settlement (Note 10)		101	-
Unrealized loss on available- for- sale investments	4	<u>(152)</u>	<u>(2,018)</u>
Total comprehensive income for the period		<u>16,222</u>	<u>11,224</u>

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Paul Ahmed

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.



**AXA COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**  
**(All amounts expressed in Saudi Riyals thousands unless otherwise stated)**

	Share capital	Statutory reserve	Fair value reserve	Performance share reserve	Retained earnings	Total
<b>Unaudited</b>						
Balance at January 1, 2017	450,000	11,150	830	640	36,929	499,549
Net income for the period	-	-	-	-	16,273	16,273
Provision for Zakat for the period (Note 7)	-	-	-	-	(2,337)	(2,337)
Provision for income tax for the period (Note 7)	-	-	-	-	(1,411)	(1,411)
Performance share reserve - net (Note 10)	-	-	-	101	-	101
Transfer to statutory reserve	-	2,505	-	-	(2,505)	-
Changes in fair value reserve on available-for-sale investments, net	-	-	(152)	-	-	(152)
<b>Balance at March 31, 2017</b>	<b>450,000</b>	<b>13,655</b>	<b>678</b>	<b>741</b>	<b>46,949</b>	<b>512,023</b>
Balance at January 1, 2016	450,000	5,132	17	-	13,312	468,461
Net income for the period	-	-	-	-	13,242	13,242
Provision for Zakat for the period (Note 7)	-	-	-	-	(2,172)	(2,172)
Provision for income tax for the period (Note 7)	-	-	-	-	(1,032)	(1,032)
Transfer to statutory reserve	-	2,008	-	-	(2,008)	-
Changes in fair value reserve on available-for-sale investments, net	-	-	(2,018)	-	-	(2,018)
<b>Balance at March 31, 2016</b>	<b>450,000</b>	<b>7,140</b>	<b>(2,001)</b>	<b>-</b>	<b>21,342</b>	<b>476,481</b>

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

**AXA COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS'**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31 2017**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended	
		March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
<b>Cash flow from operating activities</b>			
Net result from insurance operations		1,463	1,216
Adjustments to reconcile net result from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance Operations		13,170	10,949
Amortization of premium on available for sale investments	4	23	4
Accretion of the discount on available for sale investments	4	(24)	(22)
Depreciation		613	673
Amortization of intangibles		449	446
		<u>15,694</u>	<u>13,266</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums and insurance balances receivable - net		(201,480)	(187,779)
Reinsurers' share of unearned premiums		(71,822)	7,515
Reinsurers' share of outstanding claims		(15,383)	19,063
Deferred policy acquisition costs		(23,848)	(8,217)
Other assets		(7)	(8,069)
Receivable from a related parties		-	(572)
Reinsurers' balances payable		88,788	(11,701)
Unearned premiums		360,509	169,881
Outstanding claims		56,043	20,203
Advance premiums		(4,035)	-
Deferred reinsurance commission		6,094	(1,231)
Accrued and other liabilities		30,510	(1,907)
Employee end of service benefits		676	(492)
Payable to related parties		(2,298)	(100)
Due from shareholders		565	114,149
<b>Net cash provided by operating activities</b>		<u>240,006</u>	<u>124,009</u>
<b>Cash flow from investing activities</b>			
Purchase of furniture, fixtures and equipment		(881)	(565)
Purchase of intangible assets		(55)	(187)
Short-term deposits		(57,651)	(98,568)
Long term deposit		(103,380)	-
Purchase of available-for-sale investments	4	(31,833)	(1,964)
Proceeds from sale of available-for-sale investments	4	2,183	36
<b>Net cash used in investing activities</b>		<u>(191,617)</u>	<u>(101,248)</u>
<b>Net change in cash and cash equivalents</b>		<u>48,389</u>	<u>22,761</u>
<b>Cash and cash equivalents, beginning of the period</b>		<u>132,662</u>	<u>44,286</u>
<b>Cash and cash equivalents, end of the period</b>	3	<u>181,051</u>	<u>67,047</u>
<u><b>Supplemental cash flow information</b></u>			
<b>Non-cash investing activity</b>			
Unrealized gain on available-for-sale investments	4	<u>1,615</u>	<u>138</u>

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

*[Handwritten signatures and initials]*

AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31 2017**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three -month period ended	
		March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
<b>Cash flow from operating activities</b>			
Shareholders' net income for the period		16,273	13,242
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:			
Performance share reserve	10	101	-
Amortization of premium on available for sale investments	4	41	15
Accretion of the discount on available for sale investments	4	(16)	(46)
Appropriation of surplus from insurance operations		(13,170)	(10,949)
		<u>3,229</u>	<u>2,262</u>
<u>Changes in operating assets and liabilities:</u>			
Other assets		(1,772)	(1,174)
Accrued and other liabilities		254	291
Accrued commission on statutory deposits		131	(80)
Commission on statutory deposits payable		228	80
Due from insurance operations		(13,735)	-
Due to insurance operations		13,171	(114,149)
<b>Net cash provided by / (used in) operating activities</b>		<u>1,506</u>	<u>(112,770)</u>
<b>Cash flow from investing activities</b>			
Short-term deposits		-	(30,000)
Purchase of available-for-sale investments	4	(9,877)	(3,689)
Proceeds from sale of available-for-sale investments	4	8,371	-
<b>Net cash used in investing activities</b>		<u>(1,506)</u>	<u>(33,689)</u>
<b>Net changes in cash and cash equivalents</b>		-	(146,459)
Cash and cash equivalents, beginning of the period		-	146,459
<b>Cash and cash equivalents, end of the period</b>	3	<u>-</u>	<u>-</u>
<u><b>Supplemental cash flow information</b></u>			
Performance share reserve	10	<u>101</u>	<u>-</u>
Unrealized loss on available-for-sale investments	4	<u>(152)</u>	<u>(2,018)</u>

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The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

**AXA COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

AXA Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in the Kingdom of Saudi Arabia by the Royal Decree No. M/36 dated 27 Jumada II 1429H (July 1, 2008) (date of inception). The Company was incorporated vide Ministerial Order No Q/192, dated 10 Jumada II 1430H, (June 3, 2009) (date of incorporation). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010271203 issued in Riyadh on Rajab 20, 1430H (July 13, 2009). The Company's registered address is P.O. Box 753, Riyadh 11421, Kingdom of Saudi Arabia.

The principal activities of the Company are to engage in cooperative insurance operations and related activities including reinsurance activities under the Law on Supervision of Cooperative Insurance (the "Law") and the Company's by-laws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company obtained licence from the Saudi Arabian Monetary Authority ("SAMA") to practice general and medical insurance and reinsurance business in the Kingdom of Saudi Arabia vide licence No. TMN/25/20101, dated Safar 11, 1431H (corresponding to January 26, 2010). The Company has commenced insurance operations on Rabi' I 4, 1431H (corresponding to February 18, 2010) after obtaining full product approval for certain products and temporary approval for the remaining products. During 2016, the Company obtained approval for the remaining products.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

***Statement of compliance***

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for Zakat and tax. The impact of these amendments is that the Zakat and tax are to be accrued on a quarterly basis and recognized in statement of shareholders' equity with a corresponding liability recognized in the statement of financial position.

Applying the above framework, the interim condensed financial statements of the Company as at and for the quarter ended 31 March 2017 have been prepared using IAS 34 that is endorsed in the Kingdom of Saudi Arabia and SAMA guidance for the accounting of Zakat and tax.

Until 2016, the financial statements of the Company were prepared in accordance with the Accounting Standards for Insurance Companies promulgated by SAMA and IFRS. This change in framework resulted in a change in accounting policy for Zakat and tax (as disclosed in note 2.2).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company.

Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

As per the by-laws of the Company and implementation regulations issued by SAMA, surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations'	10%
	<u>100%</u>

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

***Basis of measurement***

The Company has prepared these interim condensed financial statements under the historical cost convention on the accrual basis of accounting, except for available-for-sale investments, which have been measured at fair value in the interim statement of financial position.

**2.2 Accounting policies**

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016 and have been consistently applied for all periods presented, except for change in accounting policy mentioned below and adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after January 1, 2017. Adoption of certain amendments and revisions to existing standards do not have any significant impact on these interim condensed financial statements of the Company.

**AXA COOPERATIVE INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.2 Accounting policies (continued)**

During the period, the Company amended its accounting policy relating to the presentation of zakat and tax provisions which were previously presented in Statement of Comprehensive Income (SOI) as well as in Statement of Changes in Equity (SOCE). In line with changes in accounting policy referred to in note 2.1 zakat and tax provisions are directly charged to SOCE.

The change in accounting policy resulted in increase in other comprehensive income for the period ended 31 December 2016 by SR 12.587 million (31 December 2015: 6.8 million). Had there been no change in the accounting policy the other comprehensive income for the current period ended 31 March 2017 would have been lower by SR 3.7 million. This change does not have any impact on financial position or equity of the Company, therefore no column for financial year ended 31 December 2015 has been presented. .

**a) New International Financial Reporting Standards (IFRS), International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company**

- Disclosure initiative (Amendment to IAS 7), effective for annual period on or after 1 January 2017.
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) effective for annual period on or after 1 January 2017
- Annual improvements to IFRSs 2014 – 2016 Cycle – various standards, effective for annual period on or after 1 January 2017.

**b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2018 and have not been early adopted by the Company**

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2018:

- Implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. The Company continues to monitor the IASB progress on amendments to IFRS 4 which also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to insurance. The Company expects that it will be eligible for this temporary exemption and will consider deferring the implementation of IFRS 9 until a later date, but no later than January 1, 2021.
- IFRS 16 Leases, effective for annual period on or after 1 January 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

The following new or amended standards are not expected to have significant impact on the interim condensed financial statements.

- IFRS 15 Revenue from contracts with customers, effective for annual period on or after 1 January 2018.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) effective for annual period on or after 1 January 2018.
- Transfers of Investment Property (Amendments to IAS 40) effective for annual period on or after 1 January 2018.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28) effective for annual period on or after 1 January 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual period on or after 1 January 2018.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective for annual period on or after to be determined

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.3 Use of estimates and assumptions in the preparation of interim condensed financial statements**

The preparation of interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the interim condensed financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's interim condensed financial statements present fairly, in all material respects, the interim financial position and results of operations.

**2.4 Seasonality and segment reporting**

**a) Seasonality**

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

**b) Segment reporting**

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

- Segment assets do not include cash and cash equivalents, short-term deposits, long-term deposits, available-for-sale investments, held-to-maturity investments, receivable from related parties, premiums and insurance balances receivable, other assets, due from shareholders', furniture, fixtures and equipment and intangibles;
- Segment liabilities and surplus do not include reinsurers' balances payable, advance premiums, payable to a related party, accrued and other liabilities, employee end of service benefits and fair value reserve on available-for-sale investments; and
- Operating segments do not include shareholders' operations.

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Accident and liability;
- Motor;
- Property;
- Marine;
- Engineering;
- Other general insurance;
- Health; and
- Protection

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the interim condensed financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of interim condensed financial statements of the Company.

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**3 CASH AND CASH EQUIVALENTS**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Insurance operations:</b>		
Cash and cash equivalents	91,051	20,269
Time deposits	90,000	112,393
	<b>181,051</b>	<b>132,662</b>

Time deposits are placed with local and foreign banks with an original maturity of less than three months from date of placement and earn commission income at rate from 0.65% to 0.8% (2016: up to 2.9% ) per annum.

**4 INVESTMENTS**

**4 -a Available-for-sale investments**

These represent investments in publicly traded Sukuk bonds and certain other publicly traded equity securities. Credit quality of the investments is considered satisfactory.

<b>March 31, 2017</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>
Government bonds	90,779	73,812
Other bonds	56,503	68,978
Mutual funds	18,794	-
Equities	-	19,005
	<b>166,076</b>	<b>161,795</b>
<b>December 31, 2016</b>	<b>Insurance operations</b>	<b>Shareholders' Operations</b>
Government bonds	70,990	72,744
Other bonds	49,090	68,815
Mutual funds	14,730	-
Equities	-	18,907
	<b>134,810</b>	<b>160,466</b>

**Movement in available-for-sale investments is as follows:**

**As at and for the three-month period ended March 31, 2017 (Unaudited)**

	<b>Insurance operations</b>	<b>Shareholders' Operations</b>
Balance, beginning of the period	134,810	160,466
Purchases	31,833	9,877
Disposals	(2,183)	(8,371)
Amortization of premium on available-for-sale investments	(23)	(41)
Accretion of the discount on available-for-sale investments	24	16
Changes in fair value, net	1,615	(152)
Balance, end of the period	<b>166,076</b>	<b>161,795</b>

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**4 INVESTMENTS (continued)**

**4 -a Available-for-sale investments (continued)**

As at and for the year ended December 31, 2016 (Audited)

	Insurance operations	Shareholders' operations
Balance, beginning of the year	85,008	123,338
Purchases	50,666	43,195
Disposals	(71)	(3,620)
Amortization of premium on available-for-sale investments	(92)	(176)
Accretion of the discount on available-for-sale investments	27	44
Impairment	-	(3,128)
Changes in fair value, net	(728)	813
Balance, end of the year	<u>134,810</u>	<u>160,466</u>

Available-for-sale investments at March 31, 2017 include 1,923,078 shares (2016: 1,923,078) in Najam for Insurance Services, and are held by the Company at nil (2016: nil) value.

**4 -b Held-to-maturity investments**

**Insurance operations:**

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	60,000	60,000
Sukuks	Saudi Electricity Global	10 years	3.47%	<u>15,000</u>	<u>15,000</u>
				<u>75,000</u>	<u>75,000</u>

**Shareholders' operations:**

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	<u>60,000</u>	<u>60,000</u>

**5 STATUTORY DEPOSIT**

In accordance with the Implementing Regulations for Insurance Companies (the "Regulations"), the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.



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**6 RELATED PARTY TRANSACTIONS AND BALANCES**

**a) Related party transactions**

Nature of transaction	For three-months period ended March 31,	
	2017 (Unaudited)	2016 (Unaudited)
Gross premiums written*	11,541	11,374
Reinsurance premium ceded*	11,143	10,415
Reinsurance commissions*	401	1,017
Net claims paid*	9,188	10,327
Reinsurers' share of gross claims paid*	3,311	4,455
Expenses charged by related parties*	212	398
Remuneration of directors *	255	275
Contribution to pension scheme	720	-
Key management personnel	2,020	1,972

\* These transactions are with affiliated parties.

**b) Related party balances**

**i) Premiums and insurance balances receivable**

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Receivable from policy holders	4,606	3,938
Receivable from reinsurers	15,255	13,442
	19,861	17,380
Provision for doubtful debts	(2,716)	(2,481)
Total	17,145	14,899

**ii) Reinsurers' balances payable**

Reinsurers' balances payable is SR 17.4 million (December 31, 2016: 16.5 million).

**iii) Due to related parties**

Due to related parties represents net balance resulted from intercompany transactions.

**7 ZAKAT AND TAX MATTERS**

**Components of Zakat base**

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the period, adjusted net income and certain other items.

**Provision for Zakat and Income tax**

Provision for Zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company. Local shareholding used for the purpose of Zakat base calculation is 66%.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company. Foreign shareholding subject to income tax is 34%.

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**7 ZAKAT AND INCOME TAX MATTERS (continued)**

**Status of Zakat and tax assessment**

During the year ended December 31, 2014, the General Authority of Zakat and Tax ("GAZT") has issued assessments for the years from 2009 to 2012 amounting to Saudi Riyals 11.6 million, which was subsequently reduced to Saudi Riyals 8.5 million. The Company then filed an appeal against the assessment of GAZT for the additional demand arising out of various disallowances from years 2009 to 2012 with Preliminary Appeal Committee ("PAC") and the decision of the PAC was liability additional liability of Saudi Riyals 4.87 million. The appeal is currently pending with Higher Appeal Committee.

Initial assessment orders for Zakat and tax liability for year 2013 and 2014 were issued by GAZT with liability amount of SR 5.30 million and SR 6.34 million respectively. The Company has filed appeal against GAZT's initial assessment and obtained limited certificates for these years.

**8 SHARE CAPITAL**

The authorized, issued and paid up share capital of the Company is Saudi Riyals 450 million at March 31, 2017 and December 31, 2016 consisting of 45 million shares of Saudi Riyals 10 each.

**9 STATUTORY RESERVE**

In accordance with the law, the Company is required to transfer not less than 20% of its annual net income, after deducting accumulated losses, to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. This reserve is not available for distribution to the shareholders until the liquidation of the Company.

**10 SHARE BASED PAYMENTS**

AXA Group has introduced a performance share based plan for employees of AXA entities world-wide which is designed to reward them for their role in achievement of the entities' long-term objectives. This scheme incentivize employees after completion of certain number of years with the Group, with shares of AXA SA without any cost to employee. Shares are issued outside Saudi Arabia. The Company absorbs cost of these shares under a group recharge arrangement which is paid directly to AXA SA.

At the balance sheet date, the Company recognised reserve of SR 0.1 million (December 31, 2016: SR 0.64 million) in respect of performance shares. During the period, the Company recognised an expense of SR 0.1 million (March 31, 2016: nil) in interim statement of income – shareholders operations in respect of performance shares.

**11 GOODWILL ON ACQUISITION OF INSURANCE PORTFOLIO**

This represents goodwill recognized on portfolio acquisition. The Company received approval from SAMA on 15 Dhul-Qadah 1433H (corresponding to October 1, 2012) to transfer insurance portfolio from AXA Saudi Arabia Holding W.L.L. at a total consideration of SR 106.57 million. During the year 2015, the Company met payment conditions imposed by SAMA and received approval for payment of SR 50 million in respect of initial consideration to AXA Saudi Arabia Holding W.L.L. which was recognized as goodwill.

**12 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair values of the Company's financial assets and liabilities are not materially different from their carrying values at the reporting date.

The Company's financial assets consist of cash and cash equivalents, premium and insurance balances receivables, short-term deposits, long-term deposits, investments, accrued income and financial liabilities consisting of payables and accrued expenses.

Determination of fair value and fair value hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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**12 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

The table below presents the financial instruments measured at fair value as at March 31, 2017 and December 31, 2016 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b><u>March 31, 2017 (Unaudited)</u></b>				
<b>Available-for-sale investments:</b>				
Insurance operations	166,076	-	-	166,076
Shareholders' operations	161,795	-	-	161,795
<b><u>December 31, 2016 (Audited)</u></b>				
<b>Available-for-sale investments:</b>				
Insurance operations	134,810	-	-	134,810
Shareholders' operations	160,466	-	-	160,466

Except as mentioned above, fair value of remaining financial assets and liabilities approximate their carrying value.

**13 EARNINGS PER SHARE**

Basic and diluted earnings per share for three month period March 31, 2017 and 2016 has been computed by dividing the shareholders' net income for the period by the weighted average number of shares outstanding during such periods.

The weighted average number of shares at March 31, 2017 and 2016 were 45 million.

**14 CONTINGENCIES AND COMMITMENTS**

**Zakat and tax**

For Zakat and tax related contingency, refer note 7.

**Bank Guarantee**

The Company has provided bank guarantee in favour of the General Authority for Zakat and Tax ("GAZT") of Saudi Riyals 4.87 million against the settlement of the tax and Zakat from 2009 till 2012. The Company has issued various other bank guarantees for an amount of Saudi Riyals 3.2 million in the normal course of business.

**Commitments**

As at March 31, 2017, the Company does not have any capital commitments (December 31, 2016: Nil).

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**15 SEGMENT REPORTING**

**Insurance operations for the three-months period ended March 31, 2017 and 2016 (Unaudited)**

March 31, 2017	Accident and liability	Motor	Property	Marine	General and medical			Protection	Grand Total
					Engineering	Other general insurance	Health		
Gross premiums written	9,617	583,677	19,506	10,080	9,890	1,531	80,970	5,971	721,242
Less: reinsurance premiums ceded	(721)	(110,105)	(9,128)	(2,801)	(3,246)	(126)	1,755	316	(124,056)
Net premiums written	8,896	473,572	10,378	7,279	6,644	1,405	82,725	6,287	597,186
Changes in unearned premiums	(2,735)	(265,767)	(7,816)	(886)	(1,174)	(481)	(7,048)	(2,780)	(288,687)
Net premiums earned	6,161	207,805	2,562	6,393	5,470	924	75,677	3,507	308,499
Reinsurance commission earned	45	2,640	1,692	1,220	325	-	24	15	5,961
Total revenue	6,206	210,445	4,254	7,613	5,795	924	75,701	3,522	314,460
Gross claims paid	91	144,834	3,371	4,370	91	36	71,286	2,633	226,712
Less: reinsurers' share	-	(9,178)	(1,590)	(3,243)	-	-	(466)	(200)	(14,677)
Net claims paid	91	135,656	1,781	1,127	91	36	70,820	2,433	212,035
Changes in outstanding claims	2,541	35,021	5,207	2,517	2,924	(9)	(7,604)	63	40,660
Net claims incurred	2,632	170,677	6,988	3,644	3,015	27	63,216	2,496	252,695
Policy acquisition costs	755	13,928	2,032	709	994	33	3,993	431	22,875
Operating and administrative salaries	594	20,037	247	616	527	90	7,297	338	29,746
Total costs and expenses	3,981	204,642	9,267	4,969	4,536	150	74,506	3,265	305,316
Surplus from insurance operations									9,144
Commission income									5,489
Net surplus from insurance operations									14,633
Shareholders' appropriation of surplus from insurance operations									13,170
Net result from insurance operations' after appropriation of surplus									1,463

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**15 SEGMENT REPORTING (CONTINUED)**

March 31, 2016	General and medical							Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	
Gross premiums written	9,783	280,614	11,029	12,010	9,432	981	115,289	439,138
Less: reinsurance premiums ceded	(526)	(945)	(4,734)	(5,222)	(4,021)	(145)	(292)	(15,885)
Net premiums written	9,257	279,669	6,295	6,788	5,411	836	114,997	423,253
Changes in unearned premiums	(2,730)	(138,966)	(1,319)	69	(1,269)	(208)	(29,206)	(173,629)
Net premiums earned	6,527	140,703	4,976	6,857	4,142	628	85,791	249,624
Reinsurance commission earned	91	2	1,882	1,564	270	-	22	3,831
Total revenue	6,618	140,705	6,858	8,421	4,412	628	85,813	253,455
Gross claims paid	2,439	84,279	20,144	1,854	81	5	74,792	183,594
Less: reinsurers' share	(2)	-	(19,465)	(569)	-	-	(60)	(20,096)
Net claims paid	2,437	84,279	679	1,285	81	5	74,732	163,498
Changes in outstanding claims	(1,432)	35,717	3,937	1,932	3,168	219	(5,002)	38,519
Net claims incurred	985	119,996	4,616	3,217	3,249	224	69,730	202,017
Policy acquisition costs	673	7,567	1,969	1,050	701	33	4,902	16,895
Operating and administrative expenses	584	12,588	445	614	371	56	7,676	22,334
Total costs and expenses	2,242	140,151	7,030	4,881	4,321	313	82,308	241,246
Surplus from insurance operations								9,644
Commission income								2,521
Net surplus from insurance operations								12,165
Shareholders' appropriation of surplus from insurance operations								(10,949)
Net result from insurance operations' after appropriation of surplus								1,216

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**15 SEGMENT REPORTING (CONTINUED)**

Insurance operations' interim financial position as at March 31, 2017 (Unaudited) and December 31, 2016 (Audited)

General and medical										
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
March 31, 2017										
Insurance operations' assets										
Reinsurers' share of unearned premiums	616	81,232	9,173	650	8,764	-	31	100,466	434	100,900
Reinsurers' share of outstanding claims	407	13,439	32,587	65,256	8,843	-	241	120,773	(74)	120,699
Deferred policy acquisition costs	1,506	30,573	2,514	295	1,198	67	5,659	41,812	1,166	42,978
Unallocated assets										1,327,274
Total insurance operations' assets										1,591,851
Insurance operations' liabilities and accumulated surplus										
Unearned premiums	14,057	445,865	24,436	4,672	21,928	1,078	131,083	643,119	7,685	650,804
Outstanding claims	23,725	237,049	84,619	105,232	50,268	226	96,228	597,347	15,848	613,195
Deferred reinsurance commission	93	7,920	1,910	197	1,332	-	1	11,453	65	11,518
Unallocated liabilities										316,334
Total insurance operations' liabilities and accumulated surplus										1,591,851

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**15 SEGMENT REPORTING (CONTINUED)**

	General and medical							
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total
December 31, 2016								
<u>Insurance operations' assets</u>								
Reinsurers' share of unearned premiums	304	7	13,514	2,480	9,532	-	2,209	28,046
Reinsurers' share of outstanding claims	338	4	30,351	65,819	8,138	-	615	105,265
Deferred policy acquisition costs	1,181	9,045	2,892	203	1,240	26	3,754	18,341
Unallocated assets								
Total insurance operations' assets								885,228
								1,038,752
<u>Insurance operations' liabilities and accumulated surplus</u>								
Unearned premiums	11,011	98,873	20,961	5,616	21,523	597	126,212	284,793
Outstanding claims	21,114	188,592	77,176	103,277	46,639	237	104,206	541,241
Deferred reinsurance commission	44	-	2,857	746	1,514	-	199	5,360
Unallocated liabilities								
Total insurance operations' liabilities and accumulated surplus								185,881
								1,038,752

**16 DATE OF APPROVAL**

These interim condensed financial statements were approved by the Company's Board of Directors on 15 Shaban 1438H Corresponding to May 11, 2017G.