

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 31 MARCH 2016**

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

INDEX	PAGE
Independent auditors' review report	-
Interim statement of financial position	1 – 2
Interim statement of income - insurance operations and accumulated surplus	3
Interim statement of income - shareholders' operations	4
Interim statement of comprehensive income – shareholders' operations	5
Interim statement of changes in shareholders' equity	6
Interim statement of cash flows - insurance operations	7
Interim statement of cash flows - shareholders' operations	8
Notes to the interim condensed financial statements	9 – 20



KPMG Al Fozan & Partners
Certified Public Accountants



Al-Bassam & Al-Nemer
Allied Accountants

INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

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

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of AXA Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2016, 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 periods then ended, and the interim statements of changes in shareholders' equity, insurance operations cash flows and shareholders' cash flows for the period then ended and the related notes 1 through 15 which form an integral part of these interim condensed financial statements. 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 - 34 "Interim Financial Reporting" (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 Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

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

KPMG Al Fozan & Partners

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18 April 2016
11 Rajab 1437



AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		March 31, 2016	December 31, 2015
	Note	(Unaudited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	67,047	44,286
Short-term deposits		358,478	259,910
Premiums and insurance balances receivable		351,493	163,714
Less: Provision for doubtful debts		(22,420)	(22,420)
Premiums and insurance balances receivable - net		329,073	141,294
Receivable from related party	6	572	-
Reinsurers' share of unearned premiums		35,867	43,382
Reinsurers' share of outstanding claims		83,574	102,637
Deferred policy acquisition costs		26,906	18,689
Available-for-sale investments	4	87,092	85,008
Other assets		16,215	8,146
Long-term deposit		7,500	7,500
Held-to-maturity investments	4	75,000	75,000
Due from shareholders		1,871	126,969
Furniture, fixtures and equipment		6,147	6,255
Intangible assets - computer software		2,948	3,207
TOTAL INSURANCE OPERATIONS' ASSETS		1,098,290	922,283
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	-	146,459
Short-term deposits		135,360	105,360
Available-for-sale investments	4	125,040	123,338
Other assets		3,273	2,098
Accrued commission on statutory deposits		1,153	1,073
Long-term deposits		71,250	71,250
Held-to-maturity investments	4	60,000	60,000
Goodwill on acquisition of insurance portfolio	9	50,000	50,000
Statutory deposit	5	45,000	45,000
TOTAL SHAREHOLDERS' ASSETS		491,076	604,578
TOTAL ASSETS		1,589,366	1,526,861

The accompanying notes from 1 to 15 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 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

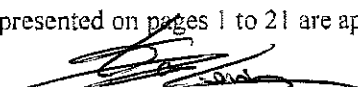
	Note	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers' balances payable		31,074	42,775
Unearned premiums		463,337	293,456
Outstanding claims		192,602	182,623
Claims incurred but not reported and other reserve		286,150	275,926
		478,752	458,549
Deferred reinsurance commission		5,253	6,484
Accrued and other liabilities		93,374	95,281
Due to related parties	6	-	100
Employee end of service benefits		19,944	20,436
Total insurance operations' liabilities		1,091,734	917,081
Insurance operations' accumulated surplus			
Accumulated surplus from insurance operations		6,573	5,357
Fair value loss on available-for-sale investments		(17)	(155)
Total insurance operations' accumulated surplus		6,556	5,202
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		1,098,290	922,283
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	7	10,263	7,058
Accrued and other liabilities		1,308	1,017
Accrued commission on statutory deposits		1,153	1,073
Due to insurance operations		1,871	126,969
Total shareholders' liabilities		14,595	136,117
Shareholders' equity			
Share capital	8	450,000	450,000
Statutory reserve	10	7,140	5,132
Fair value reserve		(2,001)	17
Accumulated surplus		21,342	13,312
Total shareholders' equity		476,481	468,461
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		491,076	604,578
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,589,366	1,526,861

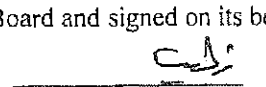
Contingencies and commitments

13

These financial statements presented on pages 1 to 21 are approved by the Board and signed on its behalf by:


Paul Adamson
Managing Director


Gary Lewin
Chief Executive Officer

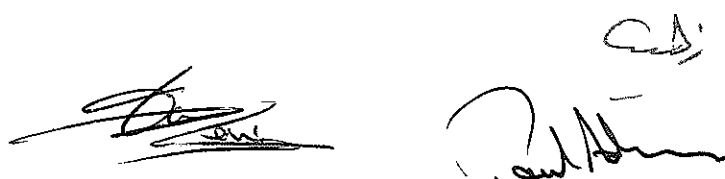

Babar Ali Khan
Chief Financial Officer

The accompanying notes from 1 to 15 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 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		For three-month period ended March 31,	
	Note	2016 (Unaudited)	2015 (Unaudited)
REVENUES			
Gross premiums written	14	450,753	402,866
Less: Reinsurance premiums ceded	14	(20,123)	(26,088)
Net premiums written		430,630	376,778
Changes in unearned premiums		(169,881)	(138,498)
Changes in reinsurer's share of unearned premiums		(7,514)	(6,029)
Net premiums earned		253,235	232,251
Reinsurance commissions	14	4,005	4,316
Commission income		2,521	1,951
Total revenues		259,761	238,518
COSTS AND EXPENSES			
Gross claims paid	14	189,986	204,262
Less: Reinsurers' share	14	(21,884)	(4,602)
Net claims paid		168,102	199,660
Changes in outstanding claims		39,250	(10,539)
Net claims incurred		207,352	189,121
Policy acquisition costs	14	17,589	15,825
General and administrative expenses		22,655	24,641
Total costs and expenses		247,596	229,587
Net surplus from insurance operations		12,165	8,931
Shareholders' appropriation of surplus		(10,949)	(8,038)
Net results from insurance operations after appropriation of surplus		1,216	893
Accumulated surplus, beginning of the period		5,357	2,926
Accumulated surplus, end of the period		6,573	3,819

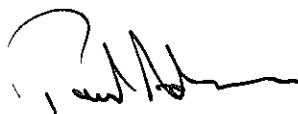
The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.



AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For three-month period ended March 31,	
		2016 (Unaudited)	2015 (Unaudited)
Net surplus transferred from insurance operations		10,949	8,038
Commission income		2,644	2,222
General and administrative expenses		<u>(351)</u>	<u>(374)</u>
Shareholders' net income for the period		<u>13,242</u>	<u>9,886</u>
 Weighted average number of outstanding shares	12	 <u>45,000</u>	 <u>43,089</u>
 Basic and diluted earnings per share for the period (Saudi Riyals)	12	 <u>0.294</u>	 <u>0.229</u>

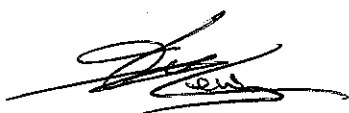
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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF COMPERHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	<u>For three-month period ended March 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
Shareholders' net income for the period		13,242	9,886
Provision for Zakat and income tax	7	(3,204)	(990)
Net income for the period		10,038	8,896
Unrealized (loss) / gain on available-for- sale investments	4	(2,018)	1,080
Total comprehensive income for the period		8,020	9,976

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

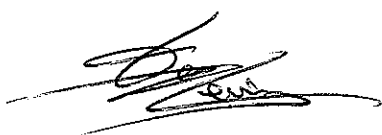




AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Fair value reserve	Accumulated surplus (deficit)	Total
Unaudited						
Balance at January 1, 2016 (Audited)		450,000	5,132	17	13,312	468,461
Net income for the period		-	-	-	13,242	13,242
Provision for zakat and income tax		-	-	-	(3,204)	(3,204)
Transfer to statutory reserve		-	2,008	-	(2,008)	-
Changes in fair value reserve on available-for-sale investments, net		-	-	(2,018)	-	(2,018)
Balance at March 31, 2016 (Unaudited)		450,000	7,140	(2,001)	21,342	476,481
Balance at January 1, 2015 (Audited)		200,000	921	2,541	3,682	207,144
Net income for the period		-	-	-	9,886	9,886
Provision for zakat and income tax		-	-	-	(990)	(990)
Rights issue		250,000	-	-	-	250,000
Rights issue transaction costs		-	-	-	(7,197)	(7,197)
Changes in fair value reserve on available-for-sale investments		-	-	1,080	-	1,080
Balance at March 31, 2015 (Unaudited)		450,000	921	3,621	5,381	459,923

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.



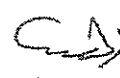


AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS'
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three- month period ended	
		March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Cash flow from operating activities			
Net result from insurance operations		1,216	893
Adjustments to reconcile net result from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance Operations		10,949	8,038
Amortization of premium on available for sale investments		4	21
Accretion of the discount on available for sale investments		(22)	(3)
Depreciation		673	708
Amortization of intangibles		446	260
		13,266	9,917
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable - net		(187,779)	(53,912)
Reinsurers' share of unearned premiums		7,515	6,029
Reinsurers' share of outstanding claims		19,063	(19,523)
Deferred policy acquisition costs		(8,217)	(7,051)
Other assets		(8,069)	(4,475)
Receivable from related parties		(572)	(2,015)
Reinsurers' balances payable		(11,701)	2,117
Unearned premiums		169,881	138,498
Outstanding claims		9,979	33,776
Claims incurred but not reported and other reserve		10,224	(24,792)
Deferred reinsurance commission		(1,231)	(1,197)
Accrued and other liabilities		(1,907)	(21,308)
Employee end of service benefits		(492)	447
Due from shareholders		114,149	(6,555)
Payable to related parties		(100)	
Net cash provided by operating activities		124,009	49,956
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(565)	(292)
Purchase of intangible assets		(187)	(201)
Short-term deposits		(98,568)	(5,355)
Purchase of available-for-sale investments	4	(1,964)	(10,110)
Proceeds from sale of available-for-sale investments		36	36
Net cash used in investing activities		(101,248)	(15,922)
Net change in cash and cash equivalents		22,761	34,034
Cash and cash equivalents, beginning of the period		44,286	188,876
Cash and cash equivalents, end of the period	3	67,047	222,910
Supplemental cash flow information			
Non-cash investing activity			
Unrealized gain on available-for-sale investments		138	505

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.



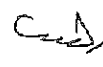


AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three -month period ended	
		March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
Cash flow from operating activities			
Shareholders' net income for the period		13,242	9,886
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of premium on available for sale investments		15	34
Accretion of the discount on available for sale investments		(46)	(2)
Appropriation of surplus from insurance operations		(10,949)	(8,038)
		<u>2,262</u>	<u>1,880</u>
Changes in operating assets and liabilities:			
Other assets		(1,174)	2,267
Accrued and other liabilities		291	603
Commission income on statutory deposits		(80)	(38)
Commission income on statutory deposits		80	38
Due to insurance operations		(114,149)	6,555
Net cash (used in) / provided by operating activities		<u>(112,770)</u>	<u>11,305</u>
Cash flow from investing activities			
Short-term deposits		(30,000)	20,000
Purchase of available-for-sale investments	4	(3,689)	(8,752)
Proceeds from sale of available-for-sale investments		-	1,133
Net cash (used in) / provided by investing activities		<u>(33,689)</u>	<u>12,381</u>
Cash flow from financing activities			
Share capital issued		-	250,000
Right issue transactions cost		-	(7,197)
Net cash provided by financing activities		<u>-</u>	<u>242,803</u>
Net changes in cash and cash equivalents		<u>(146,459)</u>	<u>266,489</u>
Cash and cash equivalents, beginning of the period		<u>146,459</u>	<u>10,636</u>
Cash and cash equivalents, end of the period	3	<u>-</u>	<u>277,125</u>
Supplemental cash flow information			
Zakat and income tax charged to shareholders' comprehensive income	7	<u>(5,204)</u>	<u>(990)</u>
Unrealized (loss) / gain on available-for-sale investments	4	<u>(2,018)</u>	<u>1,080</u>

The accompanying notes from 1 to 15 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 31 MARCH 2016
(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 all 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 Agency ("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. Currently, the Company is in the process of obtaining full product approval for the remaining products from the regulator. Management believes that such approvals will be obtained in due course.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies are consistently applied for all periods presented.

Certain comparative amounts have been reclassified to conform with the current period's presentation

2.1 Basis of preparation

Basis of measurement

The Company has prepared the accompanying 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 of insurance operations and shareholders' comprehensive operations.

Statement of compliance

The interim condensed financial statements of the Company for the period ended 31 March 2016 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

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, 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.

2.2 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistently applied for all years presented, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after January 1, 2016 but had no significant financial impact on the 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 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Amendments to IAS 19, 'Employee benefits' on defined benefit plans, effective July 1, 2014. This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) - referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions.
- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. The IASB made amendments to a total of twelve standards, which included amendments to IFRS 13 Fair Value Measurement. It clarifies in the Basis of Conclusions that short-term receivables and payables with no stated interest rate can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.
- Agriculture: Bearer Plants (Amendment to IAS 16 and 41), effective for annual period on or after 1 January 2016.
- IFRS 14 Regulatory Deferral Accounts, effective for annual period on or after 1 January 2016.
- Accounting for acquisition of Interest in Joint Operations (Amended to IFRS 11), effective for annual period on or after 1 January 2016.
- Classification of acceptable methods of depreciation and amortization (Amended to IAS 16 and IAS 38), effective for annual period on or after 1 January 2016.
- Equity method in separate financial statements (Amendment to IAS 27), effective for annual period on or after 1 January 2016.
- Sales or contribution of Assets between an Investor and its Associate or Joint Venture (Amended to IFRS 10 and IAS 28), effective for annual period on or after 1 January 2016.
- Annual improvements to IFRSs 2012 – 2014 Cycle – various standards, effective for annual period on or after 1 January 2016.
- Investment Entities: Applying the consolidation exceptions (Amendment to IFRS 10, IFRS 12, IAS 28), effective for annual period on or after 1 January 2016.
- Disclosure initiative (Amendment to IAS 1), effective for annual period on or after 1 January 2016.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2016 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, 2015:

- IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replace the existing guidance in IAS 39 Financial Instruments: Recognition and measurements. IFRS 9 includes revised guidance on the classification and measurements of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
- 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.
- Disclosure initiative (Amendment to IAS 7), effective for annual period on or after 1 January 2018.
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) effective for annual period on or after 1 January 2017
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective date to be determined).

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

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, results of the Company are impacted during the period.

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;
- 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.

3 CASH AND CASH EQUIVALENTS

	March 31, 2016	December 31, 2015
	(Unaudited)	(Audited)
Insurance operations:		
Cash and cash equivalents	19,713	12,083
Time deposits	47,334	32,203
	67,047	44,286
Shareholder's operations:		
Time deposits	-	146,459
	-	146,459

Time deposits are placed with local and foreign banks with an original maturity of less than three months from date of acquisition and earn commission income at rate up to 2.9% (2015: 0.75% to 1.9%) per annum.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

4 INVESTMENTS

4 -a Available-for-sale investments

As at and for the three-month period ended March 31, 2016 (Unaudited)

	Insurance operations	Shareholders' Operations
Balance, beginning of the period	85,008	123,338
Purchases	1,964	3,689
Disposals	(36)	-
Amortization of premium on available-for-sale investments	(4)	(15)
Accretion of the discount on available-for-sale investments	22	46
Changes in fair value, net	138	(2,018)
Balance, end of the period	87,092	125,040

As at and for the year ended December 31, 2015 (Audited)

	Insurance operations	Shareholders' operations
Balance, beginning of the period	74,454	95,069
Purchases	12,966	45,156
Disposals	(1,189)	(10,989)
Amortization of premium on available-for-sale investments	(16)	(36)
Accretion of the discount on available-for-sale investments	88	161
Impairment	-	(3,499)
Changes in fair value, net	(1,295)	(2,524)
Balance, end of the period	85,008	123,338

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

Available-for-sale investments at March 31, 2016 include 1,923,078 shares (2015: 1,923,078) in Najam for Insurance Services, and are held by the Company at 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, 2016 (Unaudited)	December 31, 2015 (Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	60,000	60,000
Sukuks	Saudi Electricity Global	10 years	3.47%	15,000	15,000
				75,000	75,000

Shareholders' operations:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	60,000	60,000

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

5 STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. During February 2015, the Company increased the share capital by Saudi Riyals 250 million through a rights issue. The additional statutory deposit of Saudi Riyals 25 million, related to the aforementioned increase in share capital was deposited in the designated bank subsequent to the capital increase. This statutory deposit can not be withdrawn without the consent of SAMA.

6 RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

Nature of transaction	For three-month period ended March 31,	
	2016 (Unaudited)	2015 (Unaudited)
Gross premiums written *	8,622	8,692
Net claims paid *	2,529	3,166
Reinsurance ceded *	10,415	14,859
Reinsurers' share of gross claims paid *	4,455	11,120
Reinsurance commissions *	1,017	1,520
Expenses charged by related parties *	398	290
Directors remunerations	275	282
Key management personnel	1,972	1,713
Contributions to pension scheme	-	173

* These transactions are with affiliated parties.

b) Related party balances

i) Premiums and insurance balances receivable

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Receivable from policy holders	1,580	1,926
Receivable from reinsurers	11,733	10,491
	13,313	12,417
Provision for doubtful debts	(3,154)	(1,531)
Total	10,159	10,886

ii) Receivable from related party

Receivable from related party represents amount receivable from the AXA Insurance Gulf B.S.C (c.).

iii) Reinsurers' balances payable

Reinsurers' balances payable includes balances payable to AXA Global P&C.

iv) Due to related parties

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

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

7 ZAKAT AND INCOME 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.

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

Status of zakat and income tax assessment

The Company has filed revised Zakat and tax returns for the years from 2009 to 2012 to reflect the effect of the portfolio transfer and has received provisional Zakat certificates from the year 2009 to 2014. During the year ended December 31, 2014, the Department of Zakat and Income Tax ("DZIT") had 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 has filed an appeal against the assessment of DZIT for additional demand arising out of various disallowances from years 2009 to 2012 with Preliminary Appeal Committee and the additional liability was further reduced to 4.87 million. The Company has filed an appeal with Higher Appeal Committee against this additional liability.

8 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is Saudi Riyals 450 million at March 31, 2016 consisting of 45 million shares of Saudi Riyals 10 each (March 31, 2015: Saudi Riyals 450 million, consisting of 45 million shares of Saudi Riyals 10 each).

The Board of Directors in their meeting held on September 27, 2012 (corresponding to Sha'ban 7, 1433H) proposed to increase the share capital by Saudi Riyals 250 million. On April 23, 2014 (corresponding to Jumada II 23, 1435H), the Company has received an approval from SAMA for increasing its share capital by way of issuance of right shares to its existing shareholders. The Company also received an approval from the Capital Market Authority (CMA) on November 26, 2014 (corresponding to Safar 4, 1436H) to proceed with the rights issue. The shareholders approved the rights issue in their General Assembly meeting held on February 10, 2015 (corresponding to Rabi II, 21 1436H). The rights issue process was completed on March 11, 2015 when the Company announced on Tadawal its completion of its rights issue process.

As a result of rights issue in 2015, the share capital of the Company has increased to Saudi Riyals 450 million comprising of 45 million issued and paid up shares of Saudi Riyals 10 each.

9 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. (formerly AXA Insurance Saudi Arabia B.S.C.c) 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. Based on the regulatory instructions 2015 was the last year for the payment of consideration, therefore no further amount is payable. Accordingly, the remaining amount of SR 56.57 million has been relinquished

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

10 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.

11 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.

The table below presents the financial instruments measured at fair value as at 31 March 2016 and 31 December 2015 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<u>March 31, 2016 (Unaudited)</u>				
Available-for-sale investments:				
Insurance operations	87,092	-	-	87,092
Shareholders' operations	125,040	-	-	125,040
<u>December 31, 2015 (Audited)</u>				
Available-for-sale investments:				
Insurance operations	85,015	-	-	85,015
Shareholders' operations	103,736	-	-	103,736

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

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

12 EARNINGS PER SHARE

Basic and diluted earnings per share for three month periods March 31, 2016 and 2015 has been computed by dividing the shareholders' net income for the periods by the weighted average number of shares outstanding during such periods.

The weighted average number of shares at March 31, 2016 and 2015 has been determined as follows:

	Three month period ended	
	March 2016	March 2015
	(Unaudited)	(Unaudited)
Weighted average number of shares outstanding before rights issue	20,000	20,000
Add: effects of rights issue	25,000	23,089
Weighted average number of shares outstanding after rights issue	45,000	43,089

Also, see Note 8.

13 CONTINGENCIES AND COMMITMENTS

Zakat and income tax

For Zakat and income tax related contingency, refer note 7.

Bank Guarantee

The Company has provided bank guarantee in favour of the Department of Zakat and Income Tax ("DZIT") of Saudi Riyals 4.87 million against the settlement of the tax and Zakat from 2009 till 2012.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

14 SEGMENT REPORTING

Insurance operations for the three-month period ended March 31, 2016 and 2015 (Unaudited)

[illegible]

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

14 SEGMENT REPORTING (CONTINUED)

	General and medical							
	<u>Accident and liability</u>	<u>Motor</u>	<u>Property</u>	<u>Marine</u>	<u>Engineering</u>	<u>Other general insurance</u>	<u>Health</u>	<u>Total</u>
							<u>Protection</u>	<u>Grand Total</u>
31 March 2015								
Gross premiums written	9,133	228,922	13,722	13,503	9,956	1,237	111,820	388,293
Less: reinsurance premiums ceded	(800)	(783)	(7,565)	(5,755)	(4,053)	(150)	(627)	(19,733)
Net premiums written	8,333	228,139	6,157	7,748	5,903	1,087	111,193	368,560
Changes in unearned premiums	(2,396)	(116,006)	(2,767)	535	(2,597)	(445)	(14,939)	(138,615)
Net premiums earned	5,937	112,133	3,390	8,283	3,306	642	96,254	229,945
Reinsurance commissions	153	9	1,551	1,640	182	-	9	3,544
Total Revenue	6,090	112,142	4,941	9,923	3,488	642	96,263	233,489
Gross claims paid	685	91,557	2,163	4,221	887	14	102,527	202,054
Less: reinsurers' share	(63)	(18)	(310)	(2,290)	(6)	-	(1,214)	(3,901)
Net claims paid	622	91,539	1,853	1,931	881	14	101,313	198,153
Changes in outstanding claims	959	5,327	1,038	1,412	(41)	142	(19,751)	(10,914)
Net claims incurred	1,581	96,866	2,891	3,343	840	156	81,562	187,239
Policy acquisition costs	672	5,198	1,605	1,112	994	38	4,987	14,600
Operating and administrative salaries	448	6,739	1,066	904	449	26	5,770	15,402
Other general and administrative expenses	251	3,773	597	506	251	15	3,230	8,623
Total costs and expenses	2,952	112,576	6,159	5,865	2,534	235	95,543	225,864
Net underwriting results								
Commission Income								6,980
Net surplus from Insurance operations								1,951
Shareholders' appropriation of surplus from insurance operations								8,931
Net result from insurance operations' after appropriation of surplus								(8,038)
								893

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

14 SEGMENT REPORTING (CONTINUED)

Insurance operations' interim financial position as at 31 March 2016 (Unaudited) and 31 December 2015 (Audited)

General and medical										
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
31 March 2016										
Insurance operations' assets										
Reinsurers' share of unearned premiums	884	23	15,897	1,853	13,476	90	10	32,233	3,634	35,867
Reinsurers' share of outstanding claims	218	4	21,367	54,271	7,175	-	539	83,574	-	83,574
Deferred policy acquisition costs	1,273	12,316	2,224	302	1,454	58	8,082	25,709	1,197	26,906
Unallocated assets	-	-	-	-	-	-	-	-	-	951,943
Total insurance operations' assets	-	-	-	-	-	-	-	-	-	1,098,290
Insurance operations' liabilities										
Unearned premiums	14,801	203,400	27,957	4,815	28,740	803	171,079	451,595	11,742	463,337
Outstanding Claims	15,173	182,535	56,780	82,754	36,346	313	91,272	465,173	13,579	478,752
Deferred reinsurance commission	110	5	1,952	511	2,111	-	1	4,690	563	5,253
Unallocated liabilities	-	-	-	-	-	-	-	-	-	150,948
Total insurance operations' liabilities	-	-	-	-	-	-	-	-	-	1,098,290

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

14 SEGMENT REPORTING (CONTINUED)

	General and medical									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
31 December 2015										
Insurance operations' assets										
Reinsurers' share of unearned premiums	1,029	4	25,247	2,766	13,443	-	98	42,587	795	43,382
Reinsurers' share of outstanding claims	58	4	40,673	53,658	6,756	-	552	101,691	946	102,637
Deferred policy acquisition costs	997	5,749	3,184	296	1,343	22	6,177	17,768	921	18,689
Unallocated assets	-	-	-	-	-	-	-	-	-	757,575
Total insurance operations' assets										922,283
Insurance operations' liabilities										
Unearned premiums	12,217	64,415	35,988	5,798	27,438	504	141,959	288,319	5,137	293,456
Outstanding claims	16,456	146,818	72,150	80,832	32,759	94	95,285	444,394	14,155	458,549
Deferred reinsurance commission	127	-	3,406	794	2,130	-	22	6,479	5	6,484
Unallocated liabilities										163,794
Total insurance operations' liabilities										922,283

15 DATE OF APPROVAL

These interim condensed financial statements were approved by the Company's Board of Directors on April 18, 2016.