
AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND TWELVE MONTH PERIODS ENDED 31 DECEMBER 2015**

**AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTH PERIOD ENDED 31 DECEMBER 2015**

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KPMG Al Fozan & Partners



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 December 2015, the related interim statements of income - insurance operations and accumulated surplus, interim statements of income - shareholders' operations and interim statement of comprehensive income - shareholders' operations for the three month and twelve 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 14 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.

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19 January 2016
9 Rabi Ul Thani 1437

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

		December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
	Note		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	44,286	188,876
Short-term deposits		259,910	168,299
Premiums and insurance balances receivable		163,714	162,042
Less: Provision for doubtful debts		(22,420)	(21,980)
Premiums and insurance balances receivable - net		141,294	140,062
Receivable from related parties	6	-	236
Reinsurers' share of unearned premiums		43,381	35,073
Reinsurers' share of outstanding claims		102,637	141,529
Deferred policy acquisition costs		18,689	17,475
Other assets		8,147	6,445
Available-for-sale investments	4	85,008	74,454
Long-term deposit		7,500	7,500
Held-to-maturity investments	4	75,000	75,000
Due from shareholders		126,969	51,472
Furniture, fixtures and equipment		6,255	4,464
Intangibles - computer software		3,207	3,004
TOTAL INSURANCE OPERATIONS' ASSETS		922,283	913,889
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	146,459	10,636
Short-term deposits		105,360	20,000
Other assets		3,171	4,234
Available-for-sale investments	4	123,338	95,069
Long-term deposits		71,250	56,250
Held-to-maturity investments	4	60,000	60,000
Goodwill on acquisition of insurance portfolio	12	50,000	-
Statutory deposit	5	45,000	20,000
TOTAL SHAREHOLDERS' ASSETS		604,578	266,189
TOTAL ASSETS		1,526,861	1,180,078

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

Basim Ali

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Paul Adamson

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

	Note	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reinsurers' balances payable		42,775	42,723
Unearned premiums		293,456	279,550
Outstanding claims		182,623	258,938
Claims incurred but not reported and other reserve		273,177	220,668
		455,800	479,606
Other reserve		2,749	-
Deferred reinsurance commission		6,484	4,831
Accrued and other liabilities		95,281	85,733
Employee termination benefits		20,436	17,380
Due to related parties	6	100	-
Total insurance operations' liabilities		917,081	909,823
Accumulated surplus from insurance operations		5,357	2,926
Fair value (loss) / reserve on available-for-sale investments		(155)	1,140
Total insurance operations' accumulated surplus		5,202	4,066
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		922,283	913,889
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	7	7,058	4,839
Accrued and other liabilities		2,090	2,734
Due to insurance operations		126,969	51,472
Total shareholders' liabilities		136,117	59,045
Shareholders' equity			
Share capital	8	450,000	200,000
Statutory reserve	9	5,132	921
Fair value reserve		17	2,541
Accumulated surplus		13,312	3,682
Total shareholders' equity		468,461	207,144
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		604,578	266,189
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,526,861	1,180,078

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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Paul Adamson

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

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

		For three-month period ended December 31,		For twelve-month period ended December 31,	
	Note	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
REVENUES					
Gross premiums written	13	138,028	278,364	1,128,176	1,040,111
Less: Reinsurance premiums ceded	13	(26,724)	(34,749)	(126,156)	(128,619)
Net premiums written		111,304	243,615	1,002,020	911,492
Changes in unearned premiums		142,119	31,671	(5,597)	(60,285)
Net premiums earned		253,423	275,286	996,423	850,667
Reinsurance commissions	13	4,795	3,920	17,472	17,120
Commission income		2,318	2,034	8,349	7,574
Total revenues		260,536	281,240	1,022,244	875,361
COSTS AND EXPENSES					
Gross claims paid	13	220,582	231,854	884,651	703,635
Less: Reinsurers' share	13	(1,799)	(31,209)	(75,242)	(78,204)
Net claims paid		218,783	200,645	809,409	625,431
Changes in outstanding claims		(7,011)	36,671	17,835	88,099
Net claims incurred		211,772	237,316	827,244	713,530
Policy acquisition costs	13	19,858	17,547	70,070	51,664
General and administrative expenses		22,674	28,803	100,621	97,481
Total costs and expenses		254,304	283,666	997,935	862,675
Net surplus / (deficit) from insurance operations		6,232	(2,426)	24,309	12,686
Shareholders' appropriation of surplus		(5,609)	2,426	(21,878)	(11,418)
Net results from insurance operations after appropriation of surplus		623	-	2,431	1,268
Accumulated surplus, beginning of the period		4,734	-	2,926	1,658
Accumulated surplus, end of the period		5,357	-	5,357	2,926

The accompanying notes from 1 to 14 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
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Note	For three-month period ended December 31,		For twelve-month period ended December 31,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Net surplus / (deficit) transferred from insurance operations	5,609	(2,426)	21,878	11,418
Commission income	46	1,595	7,618	8,050
General and administrative expenses	(405)	(351)	(1,641)	(1,421)
Shareholders' net income for the period	5,250	(1,182)	27,855	18,047
Weighted average number of outstanding shares	43,712	33,532	43,712	33,532
Basic and diluted earnings / (loss) per share for the period (Saudi Riyals)	0.120	(0.035)	0.637	0.538

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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Paul Adams

AXA COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPERHENSIVE INCOME - SHAREHOLDERS' OPERATIONS

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

	Note	For three-month period ended December 31,		For twelve-month period ended December 31,	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Shareholders' net income / (loss) for the period		5,250	(1,182)	27,855	18,047
Provision for zakat and income tax	7	(1,546)	2,291	(6,800)	(2,441)
Net income for the period		3,704	1,109	21,055	15,606
Unrealized (loss) / gain on available-for- sale investments	4	(254)	(2,648)	(2,524)	163
Total comprehensive income / (loss) for the period		3,450	(1,539)	18,531	15,769

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(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, 2015 (Audited)		200,000	921	2,541	3,682	207,144
Share capital		250,000	-	-	-	250,000
Total comprehensive income / loss		-	-	-	21,055	21,055
Transfer to statutory reserve	9	-	4,211	-	(4,211)	-
Rights issue transaction costs		-	-	-	(7,214)	(7,214)
Changes in fair value reserve on available-for-sale investments, net		-	-	(2,524)	-	(2,524)
Balance at December 31, 2015 (Unaudited)		450,000	5,132	17	13,312	468,461
Balance at January 1, 2014 (Audited)		200,000	-	2,378	(11,003)	191,375
Net income for the period		-	-	-	15,606	15,606
Transfer to statutory reserve		-	921	-	(921)	-
Changes in fair value reserve on available-for-sale investments		-	-	163	-	163
Balance at December 31, 2014 (Audited)		200,000	921	2,541	3,682	207,144

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS'
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Twelve- month period ended	
		December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash flow from operating activities			
Net result from insurance operations		2,431	1,268
Adjustments to reconcile net result from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance Operations		21,878	11,418
Amortization of intangibles		1,539	2,056
Depreciation		2,334	1,576
		<u>28,182</u>	<u>16,318</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums and insurance balances receivable - net		(1,232)	8,892
Reinsurers' share of unearned premiums		(8,308)	(7,885)
Reinsurers' share of outstanding claims		38,892	(78,725)
Deferred policy acquisition costs		(1,214)	(768)
Other assets		(1,702)	(1,231)
Receivable from related parties		236	8,156
Reinsurers' balances payable		52	(17,313)
Unearned premiums		13,906	68,710
Outstanding claims		(76,315)	104,351
Claims incurred but not reported and other reserve		52,509	62,473
Advance premiums		-	(7,517)
Other reserve		2,749	-
Deferred reinsurance commission		1,653	(266)
Accrued and other liabilities		9,548	36,877
Employee termination benefits		3,056	885
Payable to related parties		100	-
Due from shareholders		(97,375)	(45,671)
Net cash (used in) / generated from operating activities		<u>(35,263)</u>	<u>147,286</u>
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(4,126)	(2,956)
Purchase of intangible assets		(1,742)	-
Short-term deposits		(91,611)	(141,758)
Purchase of available-for-sale investments	4	(13,111)	(9,410)
Proceeds from sale of available-for-sale investments		1,263	24,109
Net cash used in investing activities		<u>(109,327)</u>	<u>(130,015)</u>
Net change in cash and cash equivalents		<u>(144,590)</u>	<u>17,271</u>
Cash and cash equivalents, beginning of the period		<u>188,876</u>	<u>171,605</u>
Cash and cash equivalents, end of the period	3	<u>44,826</u>	<u>188,876</u>
<u>Supplemental cash flow information</u>			
Non-cash investing activity			
Unrealized (loss) / gain on available-for-sale investments		<u>(1,295)</u>	<u>2,408</u>


The accompanying notes from 1 to 14 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
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Twelve -month period ended	
		December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash flow from operating activities			
Shareholders' net income for the period		27,855	18,047
Adjustments to reconcile net income to net cash provided by operating activities:			
Appropriation of surplus from insurance operations		(21,878)	(11,418)
		5,977	6,629
<u>Changes in operating assets and liabilities:</u>			
Other assets		1,063	(630)
Zakat and income tax paid		(4,581)	(3,047)
Accrued and other liabilities		(644)	1,714
Due to insurance operations		97,375	45,671
Net cash provided by operating activities		99,190	50,337
Cash flow from investing activities			
Short-term deposits		(85,360)	(20,000)
long term deposit		(15,000)	-
Statutory deposit		(25,000)	-
Purchase of available-for-sale investments	4	(45,406)	(26,032)
Proceeds from sale of available-for-sale investments		14,613	5,440
Payment in respect of portfolio transfer		(50,000)	-
Net cash used in investing activities		(206,153)	(40,592)
Cash flow from financing activities			
Share capital issued		250,000	-
Right issue transactions cost		(7,214)	-
Net cash provided by financing activities		242,786	-
Net increase in cash and cash equivalents		135,823	9,745
Cash and cash equivalents, beginning of the period		10,636	891
Cash and cash equivalents, end of the period	3	146,459	10,636
<u>Supplemental cash flow information</u>			
Zakat and income tax charged to shareholders' comprehensive income	7	(6,800)	(2,441)
Unrealized (loss) / gain on available-for-sale investments	4	(2,524)	163

The accompanying notes from 1 to 14 form an integral part of these interim condensed financial statements.

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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED DECEMBER 31, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

a. General information

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 via Ministerial Order No. Q/192, dated 10 Jumada II 1430H, (June 3, 2009) (date of ministerial resolution). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010271203 issued in Riyadh on 20 Rajab 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 Co-operative Insurance Companies (the "Law") and the Company's bye-law 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/25/2010, dated 11 Safar 1431H (corresponding to January 26, 2010). The Company has commenced insurance operations on 4 Rabi' I 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 regulators. Management believes that such approvals will be obtained in due course.

b. Portfolio transfer

The shareholders' of the AXA Insurance (Saudi Arabia) B.S.C. (c) (the 'Seller'), at the time of formation of the Company, had principally agreed to transfer certain of the Seller's assets and liabilities and the insurance portfolio (the "Transfer") in Saudi Arabia to the Company with effect from January 1, 2009, subject to approval and at a value to be determined by SAMA.

On 15 Dhul-Qadah 1433H (corresponding to October 1, 2013), SAMA approved the transfer, with effect from January 1, 2009, at a maximum consideration of Saudi Riyals 106.57 million. Consequent to SAMA's approval, the Company had formally entered into a purchase agreement with the shareholders' of the Seller to effect the transfer. Also, the shareholders of the Company had approved the portfolio transfer at their Extra Ordinary General Assembly Meeting held on December 10, 2012. The effects of the transfer have been reflected in the financial statements for the period from June 3, 2009 to December 31, 2010 and the year ended December 31, 2011.

On 15 Ramadan 1436H (corresponding to June 24, 2015) the Company received an approval for initial payment of consideration to seller amounting to Saudi Riyals 50 million from SAMA (Note 12). Settlement of this consideration was subject to fulfilling certain conditions dictated by SAMA which include, among others, the following:

- Maintenance of required solvency margin and minimum share capital;
- Restriction on repayment upto a maximum of 50% of the profit earned in the current year;
- Restriction on settlement in the year of loss or out of retained earnings;
- Limitation on duration within which payment of consideration can be made; and
- Specific approval from SAMA for payment of any consideration.

During the year, the Company has increased the capital and has met condition for maintenance of required solvency margin. As a result, the Company received approval from SAMA for the initial payment of consideration, not exceeding 20% of the capital increase, amounting to Saudi Riyals 50 million. Accordingly, the Company has recognized goodwill amounting to Saudi Riyals 50 million in lieu of consideration payable to the seller which was previously recognized as contingent liability.

Based on instructions issued by SAMA, year 2015 was last year for the payments of consideration, therefore no further amount is payable to the Seller. Accordingly, the remaining amount of Saudi Riyals 56.57 million is relinquished.

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.

2.1 Basis of preparation

The Company has prepared its interim condensed financial statements for the three-month and twelve month period ended December 31, 2015 and 2014 in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting". Accordingly, these interim condensed financial statements are not intended to be presented in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED DECEMBER 31, 2015
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody and title 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 expenses from joint operations is determined by management and the Board of Directors of the Company.

As per the law and 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' accumulated surplus	10%
	<u>100%</u>

These interim condensed financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows.

2.2 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements as at and for the year ended December 31, 2014, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which had no significant financial impact on the interim condensed financial statements of the Company. These interim condensed financial statements should therefore be read in conjunction with the audited financial statements for the year ended December 31, 2014. The results of the interim period are not indicative of the results of the full statutory financial year.

The Company has adopted the following new standards and amendments, which are effective for the Company's financial years starting 2015 and thereafter:

Annual Improvements 2010-2012 and 2011-2013 Cycles

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 nine standards, which included an amendment to IFRS 13 Fair Value Measurement. It clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Standards issued but not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

AXA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED DECEMBER 31, 2015
(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 financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards "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 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 financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations.

2.4 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) which is subject to risk and reward that are different from those of other segments. Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below:

- Segment assets do not include cash and cash equivalents, short-term deposits, available-for-sale investments, held-to-maturity investments, receivable from related parties, premiums and insurance balances receivable, other assets, due from shareholders' operations and furniture, fixtures and equipment; and
- Segment liabilities do not include reinsurers' balances payable, advance premiums, accrued and other liabilities, payable to a related party and employee termination benefits.

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

3 CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
	(Unaudited)	(Audited)
Insurance operations:		
Cash and cash equivalents	12,083	98,538
Time deposits	32,203	90,338
	<u>44,286</u>	<u>188,876</u>
Shareholder's operations:		
Cash and cash equivalents	-	10,000
Time deposits	146,459	636
	<u>146,459</u>	<u>10,636</u>

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 of 0.40% to 1.15% (2014: 0.08% to 2.7%) per annum.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
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4 INVESTMENTS

4 -a Available-for-sale investments

As at and for the twelve-month period ended December 31, 2015 (Unaudited)

	Insurance operations	Shareholders' Operations
Balance, beginning of the period	74,454	95,069
Purchases	13,111	45,406
Disposals	(1,190)	(10,990)
Accretion of premium on available-for-sale investments	15	37
Amortization of the discount on available-for-sale investments	(87)	(161)
Impairment	-	(3,499)
Changes in fair value, net	(1,295)	(2,524)
Balance, end of the period	85,008	123,338

As at and for the year ended December 31, 2014 (Audited)

	Insurance operations	Shareholders' operations
Balance, beginning of the period	86,942	74,314
Purchases	9,410	26,032
Disposals	(23,949)	(5,102)
Accretion of premium on available-for-sale investments	(169)	(108)
Amortization of the discount on available-for-sale investments	9	8
Impairment	-	(238)
Changes in fair value, net	2,211	163
Balance, end of the period	74,454	95,069

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 December 31, 2015 include 1,923,078 shares (2014: 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	
				December 31, 2015 (Unaudited)	December 31, 2014 (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	
				December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	60,000	60,000

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5 STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. During February 10, 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 with drawn without the consent of SAMA.

6 RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions

Nature of transaction	For three-month period ended December 31,		For twelve-month period ended December 31,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Gross premiums written *	1,663	2,668	26,835	24,467
Net claims paid *	2,458	2,012	10,137	8,382
Reinsurance ceded *	10,415	18,228	59,587	73,540
Reinsurers' share of outstanding claims *	11,740	15,810	42,024	45,666
Reinsurance commissions *	1,017	2,476	6,124	8,007
Expenses charged by related parties *	728	597	2,032	1,991
Directors remunerations	288	285	1,136	1,217
Key management personnel	1,602	1,691	6,635	6,142
Contributions to pension scheme	173	160	688	640

* These transactions are with affiliated parties.

b) Related party balances

i) Premiums and insurance balances receivable

	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Receivable from policy holders	1,926	1,482
Receivable from reinsurers	10,491	5,076
	12,417	6,558
Provision for doubtful debts	(1,531)	(313)
Total	10,886	6,245

ii) Receivable from related parties

Receivable from related parties 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 (Formerly AXA Cessions).

iv) Due to related parties

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

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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 December 31, 2015 consisting of 45 million shares of Saudi Riyals 10 each (December 31, 2014: Saudi Riyals 200 million, consisting of 20 million shares of Saudi Riyals 10 each).

The Board of Directors in their meeting held on September 27, 2012 (corresponding to 7 Sha'ban 1433H) proposed to increase the share capital by Saudi Riyals 250 million. On April 23, 2014 (corresponding to 23 Jumada II 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 4 Safar, 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 21 Rabi Al-Thani 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 during the twelve-month period ended December 31, 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.

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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 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 December 31, 2015 and December 31, 2014 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<u>December 31, 2015 (Unaudited)</u>				
Available-for-sale investments:				
Insurance operations	85,008	-	-	85,838
Shareholders' operations	123,338	-	-	130,109
<u>December 31, 2014 (Audited)</u>				
Available-for-sale investments:				
Insurance operations	74,454	-	-	74,454
Shareholders' operations	95,069	-	-	95,069

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the Twelve -month period ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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11 EARNINGS PER SHARE

Basic and diluted earnings per share for twelve month periods December 31, 2015 and 2014 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 December 31, 2015 and 2014 has been determined as follows:

	Twelve months period ended	
	December 2015	December 2014
	(Unaudited)	(Unaudited)
Weighted average number of shares outstanding before rights issue	20,000,000	20,000,000
Add: effects of rights issue	23,711,825	13,532,110
Weighted average number of shares outstanding after rights issue	43,711,825	33,532,110

Also see Note 8.

12 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.

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13 SEGMENT REPORTING

Insurance operations for the three-month period ended December 31, 2015 and 2014 (Unaudited)

31 December 2015

31 December 2015	General and medical									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	5,341	39,926	21,196	12,095	4,944	518	51,294	135,314	2,714	138,028
Less: reinsurance premiums ceded	(811)	(449)	(15,018)	(6,273)	(3,770)	(40)	530	(25,831)	(893)	(26,724)
Net premiums written	4,530	39,477	6,178	5,822	1,174	478	51,824	109,483	1,821	111,304
Changes in unearned premiums	812	98,749	699	(421)	2,150	226	37,534	139,749	2,370	142,119
Net premiums earned	5,342	138,226	6,877	5,401	3,324	704	89,358	249,232	4,191	253,423
Reinsurance commissions	156	8	1,993	1,365	853	-	28	4,403	392	4,795
Total Revenue	5,498	138,234	8,870	6,766	4,177	704	89,386	253,635	4,583	258,218
Gross claims paid	712	134,247	98	2,870	3,126	28	75,113	216,194	4,388	220,582
Less: reinsurers' share	(7)	(6)	437	(1,082)	(7)	-	(67)	(732)	(1,067)	(1,799)
Net claims paid	705	134,241	535	1,788	3,119	28	75,046	215,462	3,321	218,783
Changes in outstanding claims	5,860	(21,789)	2,828	5,133	401	(1)	(2,068)	(9,636)	2,625	(7,011)
Net claims incurred	6,565	112,452	3,363	6,921	3,520	27	72,978	205,826	5,946	211,772
Policy acquisition costs	798	6,747	2,356	906	1,931	41	6,322	19,101	757	19,858
Operating and administrative salaries	463	9,141	1,385	756	558	35	5,942	18,280	410	18,690
Other general and administrative expenses	80	2,108	323	99	147	4	1,143	3,904	80	3,984
Total costs and expenses	7,906	130,448	7,427	8,682	6,156	107	86,385	247,111	7,193	254,304
Surplus from insurance operations										3,914
Commission Income										2,318
Net surplus from Insurance operations										6,232
Shareholders' appropriation of surplus from insurance operations										(5,609)
Net result from insurance operations' after appropriation of surplus										623

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13 SEGMENT REPORTING (CONTINUED)

	General and medical									
31 December 2014	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	7,805	161,645	19,693	13,203	6,822	334	65,216	274,718	3,646	278,364
Less: reinsurance premiums ceded	(806)	(718)	(21,607)	(6,629)	(4,965)	(28)	621	(34,132)	(617)	(34,749)
Net premiums written	6,999	160,927	(1,914)	6,574	1,857	306	65,837	240,586	3,029	243,615
Changes in unearned premiums	(992)	4,139	1,914	(79)	1,473	303	23,242	30,000	1,671	31,671
Net premiums earned	6,007	165,066	-	6,495	3,330	609	89,079	270,586	4,700	275,286
Reinsurance commissions	209	17	1,804	1,664	214	-	186	4,094	(174)	3,920
Total Revenue	6,216	165,083	1,804	8,159	3,544	609	89,265	274,680	4,526	279,206
Gross claims paid	1,309	105,925	29,862	5,738	1,835	34	81,366	226,069	5,785	231,854
Less: reinsurers' share	-	(12)	(22,441)	(2,441)	(1,242)	-	(1,873)	(28,009)	(3,200)	(31,209)
Net claims paid	1,309	105,913	7,421	3,297	593	34	79,493	198,060	2,585	200,645
Changes in outstanding claims	(970)	41,034	2,385	1,557	(4,379)	(42)	(6,875)	32,710	3,961	36,671
Net claims incurred	339	146,947	9,806	4,854	(3,786)	(8)	72,618	230,770	6,546	237,316
Policy acquisition costs	801	4,907	2,106	1,137	827	42	7,193	17,013	534	17,547
Operating and administrative salaries	678	8,657	907	608	351	(290)	4,244	15,155	315	15,470
Other general and administrative expenses	515	6,980	843	584	326	(157)	3,946	13,037	296	13,333
Total costs and expenses	2,333	167,491	13,662	7,183	(2,282)	(413)	88,001	275,975	7,691	283,666
Surplus from insurance operations										(4,460)
Commission Income										2,034
Net surplus from Insurance operations										(2,426)
Shareholders' appropriation of surplus from insurance operations										2,426
Net result from insurance operations' after appropriation of surplus										-

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13 SEGMENT REPORTING (CONTINUING)

Insurance operations for the Twelve-month period ended December 31, 2015 and 2014 (Unaudited)

	General and medical									
<u>31 December 2015</u>	<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>
Gross premiums written	28,992	540,954	83,310	52,766	41,231	3,817	352,994	1,104,064	24,112	1,128,176
Less: reinsurance ceded	(3,524)	(2,723)	(60,385)	(26,824)	(24,566)	(273)	(705)	(119,000)	(7,156)	(126,156)
Net premiums written	25,468	538,231	22,925	25,942	16,665	3,544	352,289	985,064	16,956	1,002,020
Changes in unearned premiums	(933)	(19,568)	(2,173)	1,117	(4,835)	(62)	19,405	(7,049)	1,452	(5,597)
Net premiums earned	24,535	518,663	20,752	27,059	11,830	3,482	371,694	978,015	18,408	996,423
Reinsurance commissions	661	34	7,268	6,910	1,462	-	92	16,427	1,045	17,472
Total revenue	25,196	518,697	28,020	33,969	13,292	3,482	371,786	994,442	19,453	1,013,895
Gross claims paid	1,649	457,238	74,370	11,102	7,705	124	319,230	871,418	13,233	884,651
Less: reinsurers' share	(70)	(27)	(64,564)	(4,576)	(1,423)	-	(1,414)	(72,074)	(3,168)	(75,242)
Net claims paid	1,579	457,211	9,806	6,526	6,282	124	317,816	799,344	10,065	809,409
Changes in outstanding claims	11,758	(18,628)	3,580	16,066	11,943	84	(11,407)	13,396	4,439	17,835
Net claims incurred	13,337	438,583	13,386	22,592	18,225	208	306,409	812,740	14,504	827,244
Policy acquisition costs	3,021	25,136	8,143	3,806	4,696	164	21,975	66,941	3,129	70,070
Operating and administrative Salaries	1,830	31,312	4,709	3,261	1,753	162	22,359	65,386	1,531	66,917
Other general and administrative Expenses	922	15,771	2,372	1,643	883	82	11,260	32,933	771	33,704
Total costs and expenses	19,110	510,802	28,610	31,302	25,557	616	362,003	978,000	19,935	997,935
Surplus from insurance operations										15,960
Commission income										8,349
Net surplus from insurance operations										24,309
Shareholders' appropriation of surplus from insurance operations										(21,878)
Net results from insurance operations' after appropriation of surplus										2,431

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13 SEGMENT REPORTING (CONTINUING)

<u>31 December 2014</u>	General and medical								<u>Protection</u>	<u>Grand Total</u>
	<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>		
Gross premiums written	30,762	461,806	76,411	52,605	33,594	2,953	355,270	1,013,401	26,710	1,040,111
Less: reinsurance ceded	(5,914)	(1,524)	(65,614)	(25,720)	(18,741)	(220)	(4,371)	(122,104)	(6,515)	(128,619)
Net premiums written	24,848	460,282	10,797	26,885	14,853	2,733	350,899	891,297	20,195	911,492
Changes in unearned premiums	(4,513)	(21,191)	(1,440)	(880)	(3,219)	(95)	(27,728)	(59,066)	(1,759)	(60,825)
Net premiums earned	20,335	439,091	9,357	26,005	11,634	2,638	323,171	832,231	18,436	850,667
Reinsurance commissions	808	17	6,617	6,090	814	-	1,626	15,972	1,148	17,120
Total revenue	21,143	439,108	15,974	32,095	12,448	2,638	324,797	848,203	19,584	867,787
Gross claims paid	3,560	339,353	80,718	12,699	6,888	604	246,053	689,875	13,760	703,635
Less: reinsurers' share	(3)	(12)	(63,474)	(4,464)	(2,116)	-	(4,835)	(74,904)	(3,300)	(78,204)
Net claims paid	3,557	339,341	17,244	8,235	4,772	604	241,218	614,971	10,460	625,431
Changes in outstanding claims	(977)	48,678	7,273	6,220	(3,231)	(522)	26,689	84,130	3,969	88,099
Net claims incurred	2,580	388,019	24,517	14,455	1,541	82	267,907	699,101	14,429	713,530
Policy acquisition costs	2,632	10,352	8,297	3,877	2,409	143	21,948	49,658	2,006	51,664
Operating and administrative Salaries	1,693	26,885	4,274	3,122	1,651	104	20,022	57,751	1,509	59,260
Other general and administrative Expenses	1,092	17,340	2,757	2,013	1,065	67	12,914	37,248	973	38,221
Total costs and expenses	7,997	442,596	39,845	23,467	6,666	396	322,791	843,758	18,917	862,675
Net underwriting result										5,112
Commission income										7,574
Net surplus from insurance operation										12,686
Shareholders' appropriation of surplus from insurance operations										(11,418)
Net results from insurance operations' after appropriation of surplus										1,268

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13 SEGMENT REPORTING (CONTINUED)

Insurance operations' financial position as at December 31, 2015 (Unaudited) and December 31, 2014 (Audited)

	<u>General and medical</u>									
31 December 2015	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
<u>Insurance operations' assets</u>										
Reinsurers' share of unearned premiums	1,029	4	25,247	2,766	13,443	-	97	42,586	795	43,381
Reinsurers' share of outstanding claims	48	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	-	-	-	-	-	-	-	-	-	757,576
Total insurance operations' assets	-	-	-	-	-	-	-	-	-	<u>922,283</u>
<u>Insurance operations' liabilities</u>										
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	70,774	80,832	31,386	94	95,285	441,645	14,155	455,800
Other reserve	-	-	1,376	-	1,373	-	-	2,749	-	2,749
Deferred reinsurance commission	127	-	3,406	794	2,130	-	22	6,479	5	6,484
Unallocated liabilities	-	-	-	-	-	-	-	-	-	163,794
Total insurance operations' liabilities	-	-	-	-	-	-	-	-	-	<u>922,283</u>

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13 SEGMENT REPORTING (CONTINUED)

	<u>General and medical</u>									
31 December 2014	<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>
<u>Insurance operations' assets</u>										
Reinsurers' share of unearned premiums	2,387	21	22,000	3,189	6,747	-	-	34,344	729	35,073
Reinsurers' share of outstanding claims	467	4	91,715	42,367	4,938	(210)	1,708	140,989	540	141,529
Deferred policy acquisition costs	1,018	3,623	2,371	471	1,372	22	7,563	16,440	1,035	17,475
Unallocated assets										719,812
Total insurance operations' assets										<u>913,889</u>
<u>Insurance operations' liabilities</u>										
Unearned premiums	12,641	44,864	29,270	7,338	17,204	442	161,267	273,026	6,524	279,550
Outstanding claims	4,907	165,446	119,611	53,475	18,998	10	107,848	470,295	9,311	479,606
Deferred reinsurance commission	332	-	2,680	864	679	(24)	-	4,531	300	4,831
Unallocated liabilities										149,902
Total insurance operations' liabilities										<u>913,889</u>

14 DATE OF APPROVAL

These interim condensed financial statements were approved by the Company's Board of Directors on January 19, 2016.