

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015 (UNAUDITED)
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

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 March 31, 2015 and the related interim statements of insurance operations, shareholders' income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three-month period then ended and the related notes from 1 to 13, 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 (IAS) - 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial information issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in 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 limited 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 Note 2 of the accompanying interim condensed financial statements. These interim condensed financial statements are prepared in accordance with IAS-34 and not in accordance with the Standard of Interim Financial Reporting issued by SOCPA.

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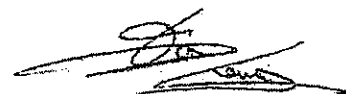
April 19, 2015
30 Jumada II, 1436

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

		March 31, 2015 (Unaudited)	As at, December 31, 2014 (Audited)
	Note		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents		222,910	188,876
Short-term deposits		173,654	168,299
Premiums and insurance balances receivable		212,204	162,042
Less: Provision for doubtful debts		(18,230)	(21,980)
Premiums and insurance balances receivable - net	5	193,974	140,062
Receivable from related parties	5	2,251	236
Reinsurers' share of unearned premiums		29,044	35,073
Reinsurers' share of outstanding claims		161,052	141,529
Deferred policy acquisition costs		24,526	17,475
Other assets		10,920	6,445
Available-for-sale investments	3	85,015	74,454
Long-term deposit		7,500	7,500
Held-to-maturity investments	3	75,000	75,000
Due from shareholders		49,989	51,472
Furniture, fixtures and equipment		4,048	4,464
Intangibles - computer software		2,945	3,004
TOTAL INSURANCE OPERATIONS' ASSETS		1,042,828	913,889
SHAREHOLDERS' ASSETS			
Cash and cash equivalents		277,125	10,636
Short-term deposits		-	20,000
Other assets		2,005	4,234
Available-for-sale investments	3	103,736	95,069
Long-term deposits		56,250	56,250
Held-to-maturity investments	3	60,000	60,000
Statutory deposit	4	20,000	20,000
TOTAL SHAREHOLDERS' ASSETS		519,116	266,189
TOTAL ASSETS		1,561,944	1,180,078

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.





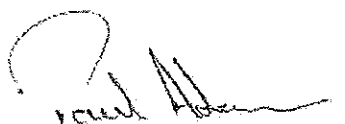
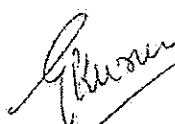
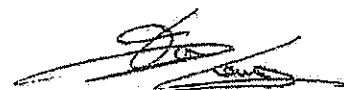
AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		March 31, 2015 (Unaudited)	As at, December 31, 2014 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	Note		
Reinsurers' balances payable		44,840	42,723
Unearned premiums		418,048	279,550
Outstanding claims		292,714	258,938
Claims incurred but not reported and other reserve		195,876	220,668
		488,590	479,606
Deferred reinsurance commission		3,634	4,831
Accrued and other liabilities		64,425	85,733
Employee termination benefits		17,827	17,380
Total insurance operations' liabilities		1,037,364	909,823
Accumulated surplus from insurance operations		3,819	2,926
Fair value reserve on available-for-sale investments		1,645	1,140
Total insurance operations' accumulated surplus		5,464	4,066
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		1,042,828	913,889
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	6	5,829	4,839
Accrued and other liabilities		3,375	2,734
Due to insurance operations		49,989	51,472
Total shareholders' liabilities		59,193	59,045
Shareholders' equity			
Share capital	7	450,000	200,000
Statutory reserve	8	921	921
Fair value reserve		3,621	2,541
Accumulated surplus		5,381	3,682
Total shareholders' equity		459,923	207,144
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		519,116	266,189
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,561,944	1,180,078

CONTINGENCIES

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The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

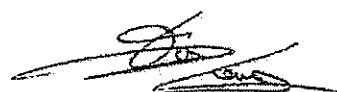




AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended	
	Note	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
REVENUES			
Gross premiums written	5	402,866	313,502
Less: Premiums ceded	5	(26,088)	(27,196)
Net premiums written		376,778	286,306
Changes in unearned premiums		(144,527)	(107,883)
Net premiums earned		232,251	178,423
Reinsurance commissions	5	4,316	4,288
Investment income, net		1,951	1,575
Total revenues		238,518	184,286
COSTS AND EXPENSES			
Gross claims paid		204,262	174,081
Less: Reinsurers' share		(4,602)	(35,091)
Net claims paid		199,660	138,990
Changes in outstanding claims		(10,539)	11,081
Net claims incurred		189,121	150,071
Policy acquisition costs		15,825	10,720
General and administrative expenses	5	24,641	19,713
Total costs and expenses		229,587	180,504
Net surplus from insurance operations		8,931	3,782
Shareholders' appropriation of surplus		(8,038)	(3,404)
Policyholders' share of surplus		893	378

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.



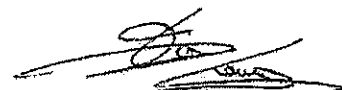


AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Net surplus transferred from insurance operations		8,038	3,404
Investment income, net		2,222	2,382
General and administrative expenses	5	(374)	(64)
Shareholders' net income for the period		9,886	5,722
Weighted average number outstanding shares	7, 10	43.09 million	33.53 million
Basic and diluted earnings per share (Saudi Riyals)	10	0.229	0.286
Basic and diluted earnings per share (Saudi Riyals) - as restated	10	-	0.171

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.





AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Shareholders' net income for the period		9,886	5,722
Items that will not be reclassified to the statement of shareholders' operations			
Provision for zakat and income tax	6	(990)	(1,407)
Net income for the period		8,896	4,315
Items that may subsequently be reclassified to statement of shareholders' operations			
Changes in fair value reserve on available-for-sale investments, net	3	1,080	(74)
Total comprehensive income for the period		9,976	4,241

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

Paul Adam

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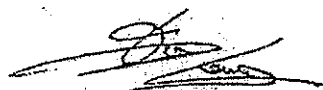
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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Fair value reserve	Accumulated surplus (deficit)	Total
Unaudited						
Balance at January 1, 2015		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 issued	7	250,000	-	-	-	250,000
Costs for issuance of rights		-	-	-	(7,197)	(7,197)
Changes in fair value reserve on available-for-sale investments, net		-	-	1,080	-	1,080
Balance at March 31, 2015		450,000	921	3,621	5,381	459,923
Unaudited						
Balance at January 1, 2014		200,000	-	2,378	(11,003)	191,375
Net income for the period		-	-	-	4,315	4,315
Changes in fair value reserve on available-for-sale investments, net		-	-	(74)	-	(74)
Balance at March 31, 2014		200,000	-	2,304	(6,688)	195,616

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.





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

	Note	Three-month period ended,	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cash flow from operating activities			
Net results from insurance operations		893	378
Adjustments to reconcile net results from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance operations		8,038	3,404
Accretion of premium on available-for-sale investments	3	21	62
Amortization of the discount on available-for-sale investments	3	(3)	(2)
Depreciation		708	468
Amortization of intangibles - computer software		260	337
		<u>9,917</u>	<u>4,647</u>
Changes in operating assets and liabilities:			
Premium and insurance balances receivable - net		(53,912)	94
Reinsurers' share of unearned premiums		6,029	(1,720)
Reinsurers' share of outstanding claims		(19,523)	27,503
Deferred policy acquisition costs		(7,051)	(926)
Other assets		(4,475)	(4,573)
Receivable from related parties		(2,015)	(2,863)
Reinsurers' balances payable		2,117	(20,007)
Unearned premiums		138,498	109,603
Advance premiums		-	(7,517)
Outstanding claims		33,776	(12,971)
Claims incurred but not reported and other reserve		(24,792)	(3,451)
Deferred reinsurance commission		(1,197)	(404)
Accrued and other liabilities		(21,308)	13,484
Employee termination benefits		447	(69)
Due from shareholders		(6,555)	(33,048)
Net cash provided by operating activities		<u>49,956</u>	<u>67,782</u>
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(292)	(194)
Purchase of computer software		(201)	(64)
Short-term deposits		(5,355)	(39,432)
Purchase of available-for-sale investments	3	(10,110)	(4,688)
Proceeds from sale of available-for-sale investments	3	36	3,274
Net cash used in investing activities		<u>(15,922)</u>	<u>(41,104)</u>
Net increase in cash and cash equivalents		<u>34,034</u>	<u>26,678</u>
Cash and cash equivalents, beginning of the year		<u>188,876</u>	<u>171,605</u>
Cash and cash equivalents, end of the year		<u>222,910</u>	<u>198,283</u>
Supplemental cash flow information			
Non-cash investing activities			
Unrealized gain on available-for-sale investments	3	<u>505</u>	<u>1,079</u>

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

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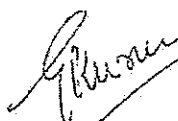
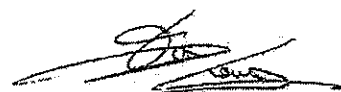
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AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cash flow from operating activities			
Shareholders' net income for the period		9,886	5,722
Adjustments to reconcile net income to net cash provided by operating activities:			
Accretion of premium on available-for-sale investments	3	34	26
Amortization of the discount on available-for-sale investments	3	(2)	(2)
Appropriation of surplus from insurance operations		(8,038)	(3,404)
		1,880	2,342
<u>Changes in operating assets and liabilities:</u>			
Other assets		2,229	(801)
Accrued and other liabilities		641	12
Due to insurance operations		6,555	33,048
Net cash provided by operating activities		11,305	34,601
Cash flow from investing activities			
Short-term deposits		20,000	(20,404)
Purchase of available-for-sale investments	3	(8,752)	(3,937)
Proceeds from sale of available-for-sale investments	3	1,133	3,528
Net cash provided by (used in) investing activities		12,381	(20,813)
Cash flow from financing activities			
Proceeds from issuance of additional share capital		250,000	-
Costs for issuance of rights		(7,197)	-
Net cash provided by financing activities		242,803	-
Net change in cash and cash equivalents		266,489	13,788
Cash and cash equivalents, beginning of the period		10,636	891
Cash and cash equivalents, end of the period		277,125	14,679
<u>Supplemental cash flow information</u>			
Non-cash financing activity:			
Zakat and income tax charged to shareholders' comprehensive income	6	(990)	(1,407)
Non-cash investing activity:			
Unrealized gain (loss) on available-for-sale investments	3	1,080	(74)

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 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 vide 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. Also see Note 11.

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 period ended March 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 a presentation 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.

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>

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Basis of preparation (continued)

The accompanying 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.

<u>Standard</u>	<u>Description</u>
Amendments to IAS 19	Defined benefit plans
The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of the Company.	

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which became effective for the periods commencing on or after April 1, 2015:

<u>Standard</u>	<u>Description</u>
IFRS 9	Financial instruments
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenue from contracts with customers
Amendment to IAS 1	Presentation of financial statements
Amendments to IFRS 9	Financial instruments regarding general hedge accounting
Amendments to IAS 16 and IAS 38	'Property, plant and equipment' and 'Intangible assets' – depreciation and amortization
Amendments to IAS 27	separate financial statements
Annual improvements 2014	

2.3 Use of estimates and assumptions in the preparation of financial statements

The preparation of 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 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.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Segment reporting (continued)

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 Investments

Available-for-sale investments

As at and for the three-month period ended March 31, 2015 (Unaudited)

	Insurance operations	Shareholders' operations
Balance, beginning of the period	74,454	95,069
Purchases	10,110	8,752
Disposals	(36)	(1,133)
Accretion of premium on available-for-sale investments	(21)	(34)
Amortization of the discount on available-for-sale investments	3	2
Changes in fair value, net	505	1,080
Balance, end of the period	85,015	103,736

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.

Available-for-sale investments at March 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.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Held-to-maturity investments

Insurance operations:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Sukuks	Saudi government	10 years	3.21%	60,000	60,000
Sukuks	Saudi government	10 years	3.47%	15,000	15,000
				<u>75,000</u>	<u>75,000</u>

Shareholders' operations:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Sukuks	Saudi government	10 years	3.21%	60,000	60,000

4 Statutory deposit

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. During the period ended March 31, 2015, the Company has 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 March 31, 2015. This statutory deposit cannot be withdrawn without the consent of SAMA.

5 Related party transactions and balances

a) Related party transactions

	Three-month period ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Gross premiums written	8,692	7,662
Net claims paid	3,166	2,392
Reinsurance ceded	14,859	18,442
Reinsurers' share of gross claims paid	11,120	4,442
Reinsurance commissions	1,520	1,880
Expenses charged by related parties	290	363
Directors' remunerations	282	32
Key management personnel	1,713	1,487
Contributions to pension fund	173	160

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5 Related party transactions and balances (continued)

b) Related party balances

i) Premiums and insurance balances receivable

	March 31, 2015	December 31, 2014
	(Unaudited)	(Audited)
Receivable from policy holders	3,827	1,482
Receivable from reinsurers	5,331	5,076
	9,158	6,558
Provision for doubtful debts	(898)	(313)
Total	8,260	6,245

ii) Receivable from related parties

Receivable from related parties at March 31, 2015 and December 31, 2014 represents amount receivable from the Seller and AXA Insurance Gulf B.S.C (c.).

iii) Reinsurers' balances payable

Reinsurers' balances payable includes balances payable to AXA Cessions Paris.

6 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 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.

7 Share capital

The authorised, issued and paid up share capital of the Company is Saudi Riyals 450 million at March 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 June 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). The shareholders approved the rights issue in their General Assembly meeting held on February 10, 2015 (corresponding to 21 Rabi Al-Thani 1436H).

As a result of rights issue during the three-month period ended March 31, 2015, the share capital of the Company has increased to Saudi Riyals 450 million comprising of 45 million issued and paid up shares.

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8 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.

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

	Level 1	Level 2	Level 3	Total
<u>March 31, 2015 (Un-audited)</u>				
Available-for-sale investments:				
Insurance operations	85,015	-	-	85,015
Shareholders' operations	103,736	-	-	103,736
<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 three-month period ended March 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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10 Earnings per share

Basic and diluted earnings per share for three-month period March 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 March 31, 2015 and 2014 has been determined as follows:

	March 31, 2015	March 31, 2014
	(thousands)	(thousands)
Weighted average number of shares outstanding before rights issue	20,000	20,000
Add: effects of rights issued	23,089	13,532
Weighted average number of shares outstanding after rights issue	43,089	33,532

Also see Note 7.

11 Contingencies

Contingent consideration payable to the Seller

As stated in Note 1, the Company acquired the insurance portfolio from the Seller at a consideration based on SAMA's instructions. Settlement of such consideration can only be made upon 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.

The Company has not yet met all the conditions for payment of consideration for the portfolio. Accordingly, the consideration of Saudi Riyals 106.57 million is disclosed as a contingent liability. Management will however, reassess the conditions for settlement of the consideration at each balance sheet date during the period in which payment can be made and will recognize a liability, if required.

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12 Segment reporting

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

	General and medical									
2015	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	9,133	228,922	13,722	13,503	9,956	1,237	111,820	388,293	14,573	402,866
Less: reinsurance premiums ceded	(800)	(783)	(7,565)	(5,755)	(4,053)	(150)	(627)	(19,733)	(6,355)	(26,088)
Net premiums written	8,333	228,139	6,157	7,748	5,903	1,087	111,193	368,560	8,218	376,778
Changes in unearned premiums	(2,396)	(116,006)	(2,767)	535	(2,597)	(445)	(14,939)	(138,615)	(5,912)	(144,527)
Net premiums earned	5,937	112,133	3,390	8,283	3,306	642	96,254	229,945	2,306	232,251
Reinsurance commissions	153	9	1,551	1,640	182	-	9	3,544	772	4,316
Total Revenue	6,090	112,142	4,941	9,923	3,488	642	96,263	233,489	3,078	236,567
Gross claims paid	685	91,557	2,163	4,221	887	14	102,527	202,054	2,208	204,262
Less: reinsurers' share	(63)	(18)	(310)	(2,290)	(6)	-	(1,214)	(3,901)	(701)	(4,602)
Net claims paid	622	91,539	1,853	1,931	881	14	101,313	198,153	1,507	199,660
Changes in outstanding claims	959	5,327	1,038	1,412	(41)	142	(19,751)	(10,914)	375	(10,539)
Net claims incurred	1,581	96,866	2,891	3,343	840	156	81,562	187,239	1,882	189,121
Policy acquisition costs	672	5,198	1,605	1,112	994	38	4,981	14,600	1,225	15,825
Operating and administrative salaries	448	6,739	1,066	904	449	26	5,770	15,402	395	15,797
Other general and administrative expenses	251	3,773	597	506	251	15	3,230	8,623	221	8,844
Total costs and expenses	2,952	112,576	6,159	5,865	2,534	235	95,543	225,864	3,723	229,587
Net underwriting result	3,138	(434)	(1,218)	4,058	954	407	720	7,625	(645)	6,980
Commission Income										1,951
Net surplus from Insurance operations										8,931
Shareholders' appropriation of surplus from insurance operations										(8,038)
Policy holders' share of surplus										893

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12 Segment reporting (continued)

	General and medical									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2014										
Gross premiums written	8,289	178,051	13,134	11,338	8,074	1,202	79,722	299,810	13,692	313,502
Less: reinsurance premiums ceded	(1,196)	(238)	(6,355)	(5,173)	(4,109)	(345)	(4,484)	(21,900)	(5,296)	(27,196)
Net premiums written	7,093	177,813	6,779	6,165	3,965	857	75,238	277,910	8,396	286,306
Changes in unearned premiums	(2,774)	(91,459)	(3,587)	224	(2,597)	(428)	(2,042)	(102,663)	(5,220)	(107,883)
Net premiums earned	4,319	86,354	3,192	6,389	1,368	429	73,196	175,247	3,176	178,423
Reinsurance commissions	185	-	1,425	1,397	209	-	1,085	4,301	(13)	4,288
Total revenue	4,504	86,354	4,617	7,786	1,577	429	74,281	179,548	3,163	182,711
Gross claims paid	1,200	82,671	37,165	2,720	1,148	508	46,233	171,645	2,436	174,081
Less: reinsurers' share	-	-	(33,083)	(737)	(164)	-	(1,007)	(34,991)	(100)	(35,091)
Net claims paid	1,200	82,671	4,082	1,983	984	508	45,226	136,654	2,336	138,990
Changes in outstanding claims	359	(7,141)	260	1,661	616	(481)	16,003	11,277	(196)	11,081
Net claims incurred	1,559	75,530	4,342	3,644	1,600	27	61,229	147,931	2,140	150,071
Policy acquisition costs	521	1,430	2,291	838	552	46	5,029	10,707	13	10,720
Operating and administrative salaries	371	5,656	955	801	288	44	4,862	12,977	330	13,307
Other general and administrative expenses	179	2,720	459	385	139	21	2,339	6,242	164	6,406
Total costs and expenses	2,630	85,336	8,047	5,668	2,579	138	73,459	177,857	2,647	180,504
Net underwriting result	1,874	1,018	(3,430)	2,118	(1,002)	291	822	1,691	516	2,207
Commission Income										1,575
Net deficit from Insurance operations										3,782
Shareholders' absorption of deficit from insurance operations										(3,404)
Policy holders' share of surplus										378

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12 Segment reporting (continued)

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

	----- General and medical -----									
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	1,886	164	15,120	2,103	6,600	92	321	26,286	2,758	29,044
Reinsurers' share of outstanding claims	467	1	111,598	41,808	5,294	(210)	810	159,768	1,284	161,052
Deferred policy acquisition costs	1,277	8,724	1,662	380	1,504	66	9,672	23,285	1,241	24,526
Unallocated assets										828,206
Total insurance operations' assets										<u>1,042,828</u>
<u>Insurance operations' liabilities</u>										
Unearned premiums	14,537	161,012	25,158	5,717	19,654	979	176,526	403,583	14,465	418,048
Outstanding claims	5,865	170,765	140,533	54,329	19,318	151	87,200	478,161	10,429	488,590
Deferred reinsurance commission	308	27	1,690	551	638	(24)	85	3,275	359	3,634
Unallocated liabilities										132,556
Total insurance operations' liabilities										<u>1,042,828</u>

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12 Segment reporting (continued)

	----- General and medical -----									
2014	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	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 and accumulated surplus										<u>913,889</u>

13 Date of approval

These interim condensed financial statements were approved by the Company's Board of Directors on April 19, 2015.