

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE
THREE-MONTH PERIOD AND YEAR ENDED
DECEMBER 31, 2012 (UNAUDITED) AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To the shareholders of
AXA Co-operative Insurance Company

Scope of review

We have reviewed the accompanying interim statement of financial position of AXA Co-operative Insurance Company (a Saudi joint stock company) (the "Company") as at December 31, 2012 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive operations for the three-month period and year then ended, and the interim statements of changes in shareholders' equity, insurance operations' and shareholders' cash flows for the year ended December 31, 2012, and the notes 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 Reporting 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. It is substantially less in scope 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 to 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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January 21, 2013

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

		As at	
	Note	December 31, 2012 (Unaudited)	December 31, 2011 (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents		74,118	90,367
Short-term deposits		68,642	-
Premiums and insurance balances receivable		101,164	129,649
Less: Provision for doubtful debts		(18,230)	(19,180)
Premiums and insurance balances receivable - net		82,934	110,469
Available-for-sale investments	3	54,514	40,878
Reinsurers' share of outstanding claims		92,714	86,642
Reinsurers' share of unearned premiums		24,025	21,771
Deferred policy acquisition costs		14,891	11,839
Other assets		3,763	1,746
Furniture, fixtures and equipment		8,867	5,047
Receivable from a related party	4	22,096	14,225
Due from shareholders' operations		73,894	54,791
TOTAL INSURANCE OPERATIONS' ASSETS		520,458	437,775
SHAREHOLDERS' ASSETS			
Cash and cash equivalents		325	129,880
Short-term deposits		175,069	65,706
Available-for-sale investments	3	63,085	12,948
Statutory deposit		20,000	20,000
Other assets		3,481	1,413
TOTAL SHAREHOLDERS' ASSETS		261,960	229,947
TOTAL ASSETS		782,418	667,722

(Continued)

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

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


		As at	
	Note	December 31, 2012 (Unaudited)	December 31, 2011 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS			
Reinsurers' balances payable		16,847	3,430
Unearned premiums		180,584	173,017
Outstanding claims		171,792	182,379
Claims incurred but not reported and other reserve		44,046	34,097
		215,838	216,476
Deferred reinsurance commission		5,263	3,120
Accrued and other liabilities		33,456	27,969
Payable to a related party	4	49,730	-
Employee termination benefits		17,937	14,246
Total insurance operations' liabilities		519,655	438,258
Accumulated surplus		557	-
Fair value reserve on available-for-sale investments		246	(483)
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		520,458	437,775
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	5	5,942	3,985
Accrued and other liabilities		1,378	407
Due to insurance operations		73,894	54,791
Total shareholders' liabilities		81,214	59,183
Shareholders' equity			
Share capital		200,000	200,000
Accumulated deficit		(19,254)	(29,236)
Total shareholders' equity		180,746	170,764
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		261,960	229,947
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		782,418	667,722

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

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended December 31,		Year ended December 31,	
	Note	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Audited)
REVENUES					
Gross premiums written	4	91,052	83,075	460,486	427,790
Less: Reinsurance ceded	4	(17,202)	(18,568)	(96,367)	(73,862)
Net premiums written		73,850	64,507	364,119	353,928
Changes in unearned premiums		19,055	21,627	(5,313)	8,146
Net premiums earned		92,905	86,134	358,806	362,074
Reinsurance commissions	4	3,852	2,477	12,880	9,951
Commission income		667	383	1,620	1,055
Total revenues		97,424	88,994	373,306	373,080
COSTS AND EXPENSES					
Gross claims paid	4	79,206	71,176	347,363	298,432
Less: Reinsurers' share		(5,753)	(9,612)	(72,974)	(20,305)
Net claims paid		73,453	61,564	274,389	278,127
Changes in outstanding claims		(2,443)	10,152	(6,710)	(4,444)
Net claims incurred		71,010	71,716	267,679	273,683
Policy acquisition costs		6,791	15,064	33,195	40,779
General and administrative expenses		21,395	27,486	66,860	72,859
Total costs and expenses		99,196	114,266	367,734	387,321
(Deficit) surplus from insurance operations		(1,772)	(25,272)	5,572	(14,241)
Shareholders' absorption (appropriation) of (deficit) surplus from insurance operations		1,595	24,169	(5,015)	14,241
Net results from insurance operations' after absorption (appropriation) of (deficit) surplus		(177)	(1,103)	557	-
Accumulated surplus, beginning of period / year		734	1,103	-	-
Accumulated surplus, end of period / year	7	557	-	557	-

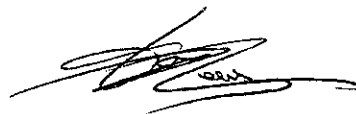
The accompanying notes from 1 to 12 form an integral part of these interim condensed financial statements.


AXA CO-OPERATIVE 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 December 31,		Year ended December 31,	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Audited)
(Deficit) surplus from insurance operations	(1,595)	(24,169)	5,015	(14,241)
Commission income	724	460	6,665	1,978
General and administrative expenses	4 (629)	434	(1,312)	(438)
Withholding taxes	(66)	2,642	(66)	(2)
Shareholders' net (loss) income for the period / year	(1,566)	(20,633)	10,302	(12,703)
Weighted average number of outstanding shares	20 million	20 million	20 million	20 million
Basic and diluted (loss) earnings per share (Saudi Riyals)	8 (0.078)	(1.032)	0.515	(0.635)

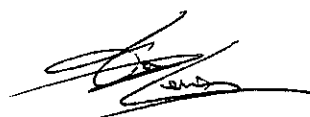
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AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
 (All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended December 31,		Year ended December 31,	
		2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Audited)
Shareholders' net (loss) income for the period / year		(1,566)	(20,633)	10,302	(12,703)
Unrealized gain on available-for- sale investments	3	884	426	4,297	394
Zakat and income taxes	5	4,113	(535)	(4,617)	(3,341)
Total comprehensive income (loss) for the period / year		3,431	(20,742)	9,982	(15,650)

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

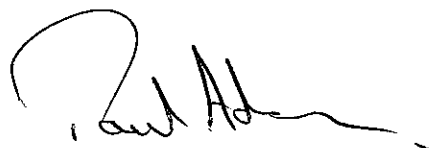
	Share capital	Accumulated deficit	Total
<u>Unaudited</u>			
Balance at January 1, 2012	200,000	(29,236)	170,764
Total comprehensive income for the year	-	9,982	9,982
Balance at December 31, 2012	200,000	(19,254)	180,746
<u>Audited</u>			
Balance at January 1, 2011	200,000	(13,586)	186,414
Total comprehensive loss for the year	-	(15,650)	(15,650)
Balance at December 31, 2011	200,000	(29,236)	170,764

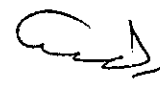
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AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2012 (Unaudited)	2011 (Audited)
Cash flow from operating activities			
Net results from insurance operations		557	-
Adjustments to reconcile net results from insurance operations to net cash from operating activities:			
Shareholders' appropriation (absorption) of surplus (deficit) from insurance operations		5,015	(14,241)
Depreciation		1,962	1,880
		<u>7,534</u>	<u>(12,361)</u>
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable - net		27,535	26,257
Reinsurers' share of outstanding claims		(6,072)	(64,011)
Reinsurers' share of unearned premiums		(2,254)	(1,224)
Deferred policy acquisition costs		(3,052)	6,165
Other assets		(2,017)	1,092
Receivable from a related party		(520)	(14,225)
Reinsurers' balances payable		13,417	(16,567)
Unearned premiums		7,567	(6,922)
Outstanding claims		(10,587)	61,270
Claims incurred but not reported and other reserve		9,949	(1,703)
Deferred reinsurance commission		2,143	(128)
Accrued and other liabilities		5,487	(5,243)
Employee termination benefits		3,691	573
Payable to related party		49,730	(3,038)
Due from shareholders' operations		(24,118)	(27,654)
Net cash provided by (used in) operating activities		<u>78,433</u>	<u>(57,719)</u>
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(5,782)	(2,769)
Short term deposits		(68,642)	-
Available-for-sale investments		(20,258)	(41,361)
Net cash used in investing activities		<u>(94,682)</u>	<u>(44,130)</u>
Net decrease in cash and cash equivalents		(16,249)	(101,849)
Cash and cash equivalents, beginning of the period		90,367	192,216
Cash and cash equivalents, end of the period		<u>74,118</u>	<u>90,367</u>
Supplemental cash flow information			
Non-cash investing activities -			
• Unrealized gain (loss) on available-for-sale investments	3	246	(483)
• Available-for-sale investments transferred from shareholders' operations against due from shareholders' operations	3	-	35,323

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





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)

		Year ended December 31,	
	Note	2012 (Unaudited)	2011 (Audited)
Cash flow from operating activities			
Shareholders' net income (loss) for the period / year		10,302	(12,703)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
(Appropriation) absorption of surplus (deficit) from insurance operations		(5,015)	14,241
		5,287	1,538
Changes in operating assets and liabilities:			
Other assets		(2,068)	(1,100)
Accrued and other liabilities		971	(1,552)
Zakat and income tax paid		(2,660)	(3,804)
Due to insurance operations		24,118	27,654
Net cash provided by operating activities		25,648	22,736
Cash flow from investing activities			
Short-term deposits		(109,363)	6,949
Available-for-sale investments		(45,840)	(5,554)
Net cash (used in) provided by investing activities		(155,203)	1,395
Net change in cash and cash equivalents		(129,555)	24,131
Cash and cash equivalents, beginning of the period		129,880	105,749
Cash and cash equivalents, end of the period	4	325	129,880
Supplemental cash flow information			
Non-cash operating activity -			
• Zakat and income tax charged to shareholders' comprehensive operations	5	(4,617)	(3,341)
Non-cash investing activities -			
• Unrealized gains on available-for-sale Investments	3	4,297	394
• Available-for-sale investments transferred to insurance operations against due to insurance operations	3	-	35,323

The accompanying notes from 1 to 12 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 AND YEAR ENDED DECEMBER 31, 2012
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1 General information

AXA Co-operative 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 (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.

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 assets and liabilities as at January 1, 2009 and the insurance portfolio in the Kingdom of Saudi Arabia to the Company at a value to be determined by SAMA.

On 15 Dhul-Qadah 1433H (corresponding to October 1, 2012), SAMA approved the portfolio transfer, with effect from January 1, 2009, at a consideration of Saudi Riyals 106.57 million. Consequent to SAMA's approval, the Company has formally entered into a purchase agreement with the shareholders' of the Seller to effect the transfer. Also, the shareholders of the Company have approved the portfolio transfer at their Extra Ordinary General Assembly Meeting held on December 10, 2012.

Consequently, the Company acquired the insurance portfolio and the net assets of the Seller with effect from January 1, 2009. Accordingly, the accompanying interim condensed financial statements for three-month period and year ended December 31, 2012 include the effects of the portfolio transfer. Also, management has withdrawn previously issued financial statements for the three-month period and year ended December 31, 2011 and reissued these after taking into account the effects of the portfolio transfer. Accordingly, the 2011 comparative financial information presented in the accompanying interim condensed financial statements have been restated after taking into account the effects of portfolio transfer.

2 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 three-month period and year ended December 31, 2012 and 2011 under the historical cost convention on the accrual basis of accounting as modified for the revaluation of available-for-sale investments at their fair values in the statement of financial position of insurance operations and shareholders' comprehensive operations, and in conformity 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.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2012
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

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

Transfer to shareholders' operations	90%
Transfer to insurance operations' accumulated surplus	10%
	<hr/> 100%

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. These interim condensed financial statements and notes should be read in conjunction with the audited financial statements and the related notes for the year ended December 31, 2011. The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards and are consistent with those used for the preparation of the financial statements of the Company for the year ended December 31, 2011, 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 do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. The Company's interim results may not be indicative of its annual results.

<u>Standard</u>	<u>Description</u>
IAS 12	Amendments to Income taxes - Deferred taxes: Recovery of underlying assets
IFRS 7	Financial instruments: Disclosures (Transfers of Financial Assets)
IAS 34	Interim Financial Reporting

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing on or after 1 January 2013:

<u>Standard</u>	<u>Description</u>
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 19	Employee Benefits
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 28	Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments- Classification and measurement
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 32 and IFRS 7	Offsetting of Financial Assets and Financial Liabilities

2.2 Use of estimates 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.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2012
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2.3 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 premium and insurance balance receivable, furniture, fixtures and equipment, other assets and due from shareholders' operations and;
- Segment liabilities do not include reinsurers' balances payable, accrued and other liabilities.

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 Available-for-sale investments

As at and for the year ended December 31, 2012 (Unaudited)

	Insurance operations	Shareholders' operations
Balance, January 1, 2011	40,878	12,948
Purchases / transfers from / to a related party	12,907	45,840
Unrealized gain	729	4,297
Balance, December 31, 2012	54,514	63,085

In addition to the above, the Company also holds 1,923,078 shares (7.692%) in Najam for insurance services (Najam), a Saudi Joint Stock company at Nil value

As at and for the year ended December 31, 2011 (Audited)

	Insurance operations	Shareholders' operations
Balance, January 1, 2010	-	7,000
Purchases / transfers from / to a related party	6,038	40,877
Transfer from shareholders' operations to insurance operations	35,323	(35,323)
Unrealized (loss) / gain	(483)	394
Balance, December 31, 2011	40,878	12,948

These represent investment in publicly traded sukuk bonds and certain other publicly traded equity securities issued by various Saudi Arabian companies.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2012
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

4 Related party transactions and balances

a) Related party transactions

	Three- month period ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Gross premium written	2,066	2,079	22,523	11,920
Net claims paid	119	1,604	878	1,604
Reinsurance ceded	19,267	11,527	58,849	37,649
Reinsurance commissions	2,697	2,034	8,339	3,247
Expenses charged by related parties	297	459	1,291	1,467
Directors' remuneration	629	(434)	1,312	438
Key management personnel	1,295	938	5,239	4,164

b) Cash and cash equivalents

Bank balances in current accounts under insurance operations amounting to Saudi Riyals nil (December 31, 2011: Saudi Riyals 5.7 million) are held in the name of the Seller, for and on behalf of the Company and are in the process of being transferred to the Company.

c) Related party balances

Receivable from a related party at December 31, 2012 and 2011 represents amount receivable from the Seller.

Payable to a related party at December 31, 2012 represents amount payable to AXA Cessions Paris.

5 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

The Company had received a final zakat certificate for the year ended December 31, 2010. The Company has revised the provision for zakat and income tax to reflect the effect of operations transferred and is in the process of submitting the revised returns for the year ended December 31, 2009, 2010 and 2011.

6 Statutory reserve

In accordance with the Law, the Company is required to transfer not less than 20% of its annual profits to a statutory reserve until such reserve amounts to 100% of the capital of the Company. No such transfer has been made for the year ended December 31, 2012 and 2011 due to accumulated deficit.

AXA CO-OPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2012
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

7 Insurance operations' accumulated surplus

	For the three-month periods ended				For the year ended	For the year ended
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	December 31, 2012	December 31, 2011
(Deficit) surplus from insurance operations	(4,686)	12,123	(93)	(1,772)	5,572	(14,241)
Insurance operations' (deficit) surplus transferred to shareholders' income	4,686	(11,379)	83	1,595	(5,015)	14,241
Net surplus at the end of the period / year	-	744	(10)	(177)	557	-

As per Article 70 of the Implementing Regulation for Cooperative Insurance issued by SAMA, 90% of the Insurance operations' surplus for each year is required to be transferred to shareholders' comprehensive operations. Such transfer for the year ended December 31, 2012 amounted to Saudi Riyals 5,015,000, resulting in adjustments amounting to Saudi Riyals 10,000 and Saudi Riyals 177,000 in the three month periods ended September 30, 2012 and December 31, 2012 respectively.

8 (Loss) / earnings per share

Basic and diluted (loss) earnings per share for the three-month period and the year ended December 31, 2012 and 2011 has been computed by dividing the shareholders' net (loss) income for the periods by the weighted average number of shares outstanding during such period / year.

9 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; and
- Limitation on duration within which payment of consideration can be made.

Considering the above conditions, restated financial performance and the Company's future business plans, management believes that the Company will not be required to repay the consideration. 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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10 Segment reporting

Insurance operations for the three-month period ended December 31, 2012 and 2011 (Unaudited)

	----- General and medical -----									
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2012										
Gross premiums written	3,927	6,905	11,860	10,834	5,323	1,753	47,719	88,321	2,731	91,052
Less: reinsurance ceded	(370)	(253)	(6,980)	(6,093)	(2,921)	(527)	38	(17,106)	(96)	(17,202)
Net premiums written	3,557	6,652	4,880	4,741	2,402	1,226	47,757	71,215	2,635	73,850
Changes in unearned premiums	57	7,165	1,191	(1,369)	1,025	374	10,116	18,559	496	19,055
Net premiums earned	3,614	13,817	6,071	3,372	3,427	1,600	57,873	89,774	3,131	92,905
Reinsurance commissions	269	4	1,643	1,310	375	17	239	3,857	(5)	3,852
Total revenue	3,883	13,821	7,714	4,682	3,802	1,617	58,112	93,631	3,126	96,757
Gross claims paid	217	10,560	3,785	1,439	1,072	76	60,471	77,620	1,586	79,206
Less: reinsurers' share	(18)	-	(1,556)	(344)	(133)	-	(3,029)	(5,080)	(673)	(5,753)
Net claims paid	199	10,560	2,229	1,095	939	76	57,442	72,540	913	73,453
Changes in outstanding claims	87	(2,860)	3,732	(262)	3,508	(2,085)	(3,612)	(1,492)	(951)	(2,443)
Net claims incurred	286	7,700	5,961	833	4,447	(2,009)	53,830	71,048	(38)	71,010
Policy acquisition costs	621	812	1,128	(75)	724	152	3,225	6,587	204	6,791
Operating and administrative salaries	994	2,129	1,845	1,136	994	142	6,672	13,912	283	14,195
Other general and administrative expenses	504	1,296	1,152	648	576	72	2,736	6,984	216	7,200
Total costs and expenses	2,405	11,937	10,086	2,542	6,741	(1,643)	66,463	98,531	665	99,196
Deficit from insurance operations										(2,439)
Commission income										667
Net deficit from insurance operations										(1,772)
Insurance operations' deficit transferred to shareholders' operations										1,595
Net results from insurance operation after absorption of deficit										(177)

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10 Segment reporting (continued)

	----- General and medical -----									
2011	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	2,938	4,934	9,739	9,312	4,349	2,030	46,882	80,184	2,891	83,075
Less: reinsurance ceded	(462)	(661)	(13,158)	(3,565)	1,041	(321)	(38)	(17,164)	(1,404)	(18,568)
Net premiums written	2,476	4,273	(3,419)	5,747	5,390	1,709	46,844	63,020	1,487	64,507
Changes in unearned premiums	(190)	7,641	1,691	(826)	230	394	9,041	17,981	3,646	21,627
Net premiums earned	2,286	11,914	(1,728)	4,921	5,620	2,103	55,885	81,001	5,133	86,134
Reinsurance commissions	134	3	1,210	431	404	(16)	52	2,218	259	2,477
Total revenue	2,420	11,917	(518)	5,352	6,024	2,087	55,937	83,219	5,392	88,611
Gross claims paid	328	8,628	9,477	874	223	2,205	47,084	68,819	2,357	71,176
Less: reinsurers' share	-	-	(6,735)	(220)	-	(322)	(1,717)	(8,994)	(618)	(9,612)
Net claims paid	328	8,628	2,742	654	223	1,883	45,367	59,825	1,739	61,564
Changes in outstanding claims	424	(3,064)	2,930	217	205	(1,427)	10,289	9,574	578	10,152
Net claims incurred	752	5,564	5,672	871	428	456	55,656	69,399	2,317	71,716
Policy acquisition costs	442	1,772	1,174	668	1,346	86	4,682	10,170	4,894	15,064
Operating and administrative salaries	283	1,475	(214)	609	696	260	5,241	8,350	3,898	12,248
Other general and administrative Expenses	295	1,540	(223)	636	726	272	8,901	12,147	3,091	15,238
Total costs and expenses	1,772	10,351	6,409	2,784	3,196	1,074	74,480	100,066	14,200	114,266
Deficit from insurance operations										(25,655)
Commission income										383
Net deficit from insurance operations										(25,272)
Insurance operations' deficit transferred to shareholders' operations										24,169
Net results from insurance operation after absorption of deficit										(1,103)

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10 Segment reporting (continued)

Insurance operations for the year ended December 31, 2012 (Unaudited)

	General and medical									
2012	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	23,452	57,131	56,776	37,386 (16,983)	27,458	3,669	239,490	445,362	15,124	460,486
Less: reinsurance ceded	(6,702)	(930)	(46,289)	(16,983)	(15,673)	(719)	(5,184)	(92,480)	(3,887)	(96,367)
Net premiums written	16,750	56,201	10,487	20,403	11,785	2,950	234,306	352,882	11,237	364,119
Changes in unearned premiums	(754)	(3,892)	329	27	(10)	655	(1,611)	(5,256)	(57)	(5,313)
Net premiums earned	15,996	52,309	10,816	20,430	11,775	3,605	232,695	347,626	11,180	358,806
Reinsurance commissions	672	17	7,261	3,791	888	17	239	12,885	(5)	12,880
Total revenue	16,668	52,326	18,077	24,221	12,663	3,622	232,934	360,511	11,175	371,686
Gross claims paid	1,125	41,184	65,304	8,602	10,589	1,189	212,186	340,179	7,184	347,363
Less: reinsurers' share	(115)	(4,801)	(56,207)	(4,502)	(1,315)	(96)	(5,133)	(72,169)	(805)	(72,974)
Net claims paid	1,010	36,383	9,097	4,100	9,274	1,093	207,053	268,010	6,379	274,389
Changes in outstanding claims	(637)	(7,223)	4,934	380	3,031	(2,091)	(2,383)	(3,989)	(2,721)	(6,710)
Net claims incurred	373	29,160	14,031	4,480	12,305	(998)	204,670	264,021	3,658	267,679
Policy acquisition costs	1,924	4,905	5,582	2,848	2,650	519	13,380	31,808	1,387	33,195
Operating and administrative salaries	2,725	6,582	5,827	3,490	2,957	312	20,423	42,316	1,409	43,725
Other general and administrative expenses	1,592	4,085	3,654	2,127	1,809	179	8,773	22,219	916	23,135
Total costs and expenses	6,614	44,732	29,094	12,945	19,721	12	247,246	360,364	7,370	367,734
Surplus from insurance operations										3,952
Commission income										1,620
Net surplus from insurance operations										5,572
Insurance operations' surplus transferred to shareholders' operations										(5,015)
Net results from insurance operation after appropriation of surplus										557

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10 Segment reporting (continued)

Insurance operations for the year ended December 31, 2011 (Audited)

	General and medical									
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Tota	Protection	Grand Total
2011										
Gross premiums written	19,650	48,340	52,529	35,940	23,105	3,271	230,182	413,017	14,773	427,790
Less: reinsurance ceded	(2,259)	(1,398)	(43,452)	(12,294)	(8,228)	(598)	(4,179)	(72,408)	(1,454)	(73,862)
Net premiums written	17,391	46,942	9,077	23,646	14,877	2,673	226,003	340,609	13,319	353,928
Changes in unearned premiums	(1,032)	339	(165)	(964)	(2,983)	3,031	12,816	11,042	(2,896)	8,146
Net premiums earned	16,359	47,281	8,912	22,682	11,894	5,704	238,819	351,651	10,423	362,074
Reinsurance commissions	290	6	5,848	1,966	832	22	728	9,692	259	9,951
Total revenue	16,649	47,287	14,760	24,648	12,726	5,726	239,547	361,343	10,682	372,025
Gross claims paid	1,406	58,186	15,683	5,655	1,947	3,216	207,269	293,362	5,070	298,432
Less: reinsurers' share	-	(5)	(10,019)	(2,239)	(733)	(626)	(5,950)	(19,572)	(733)	(20,305)
Net claims paid	1,406	58,181	5,664	3,416	1,214	2,590	201,319	273,790	4,337	278,127
Changes in outstanding claims	(1,083)	(27,651)	4,640	313	785	325	16,117	(6,554)	2,110	(4,444)
Net claims incurred	323	30,530	10,304	3,729	1,999	2,915	217,436	267,236	6,447	273,683
Policy acquisition costs	1,543	4,563	5,239	3,064	2,733	(2,674)	19,718	34,186	6,593	40,779
Operating and administrative salaries	1,368	5,310	939	2,552	1,385	1,268	23,935	36,757	5,867	42,624
Other general and administrative expenses	845	3,497	366	1,648	1,089	838	17,678	25,961	4,274	30,235
Total costs and expenses	4,079	43,900	16,848	10,993	7,206	2,347	278,767	364,140	23,181	387,321
Deficit from insurance operations										(15,296)
Commission income										1,055
Net deficit from insurance operations										(14,241)
Insurance operations' deficit transferred to shareholders' operations										14,241
Net results from insurance operations after absorption of deficit										-

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10 Segment reporting (continued)

Insurance operations' financial position as at December 31, 2012 (Unaudited)

	----- General and medical -----									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2012										
<u>Insurance operations' assets</u>										
Reinsurers' share of outstanding claims	3,602	3,730	63,993	5,914	14,376	(538)	1,150	91,192	1,522	92,714
Reinsurers' share of unearned premiums	1,940	22	14,669	2,621	3,724	864	-	23,840	185	24,025
Deferred policy acquisition costs	831	1,650	1,329	818	992	(126)	9,039	14,533	358	14,891
Unallocated assets										388,828
Total insurance operations' assets										520,458
<u>Insurance operations' liabilities</u>										
Unearned premiums	5,878	16,152	20,591	6,100	11,685	4,587	111,657	176,650	3,935	180,584
Outstanding claims	2,694	38,263	91,631	18,079	15,345	(479)	47,286	212,819	3,021	215,840
Deferred reinsurance commission	471	1	1,772	747	660	140	909	4,700	563	5,263
Unallocated liabilities										117,968
Total insurance operations' liabilities										519,655

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10 Segment reporting (continued)

Insurance operations' financial position as at December 31, 2011 (Audited)

	General and medical									
2011	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
<u>Insurance operations' assets</u>										
Reinsurers' share of outstanding claims	3,499	284	61,969	5,990	13,478	-	368	85,588	1,054	86,642
Reinsurers' share of unearned premiums	205	92	15,320	1,353	3,682	747	80	21,479	292	21,771
Deferred policy acquisition costs	489	1,263	1,605	458	561	55	7,408	11,839	-	11,839
Unallocated assets										317,523
Total insurance operations' assets										437,775
<u>Insurance operations' liabilities</u>										
Unearned premiums	4,700	12,330	21,627	4,856	11,576	4,043	109,897	169,029	3,988	173,017
Outstanding claims	3,027	39,050	84,587	18,739	12,804	3,118	49,857	211,182	5,294	216,476
Deferred reinsurance commission	-	10	2,431	287	260	116	16	3,120	-	3,120
Unallocated liabilities										45,645
Total insurance operations' liabilities										438,258

11 Comparative figures

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

12 Date of approval

These interim condensed financial statements were approved by the Company's Board of Directors on January 21, 2013.