

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2015**

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2015

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KPMG Al Fozan & Al Sadhan



Al-Bassam & Al-Nemer
Allied Accountants

**INDEPENDENT AUDITORS' 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 30 September 2015, the related interim statements of income - insurance operations, shareholders' operations and statement of comprehensive income - shareholders' operations for the three month and nine month periods then ended, the related interim statement of changes in shareholders' equity, statements of cash flows - insurance operations and shareholders' operations for the nine month period then ended and the related notes 1 to 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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7 Muharram 1437H
(20 October 2015)



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

		September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	180,031	188,876
Short-term deposits		133,740	168,299
Premiums and insurance balances receivable		338,803	162,042
Less: Provision for doubtful debts		(24,370)	(21,980)
Premiums and insurance balances receivable -- net		314,433	140,062
Receivable from related parties	6	2,518	236
Reinsurers' share of unearned premiums		45,099	35,073
Reinsurers' share of outstanding claims		92,310	141,529
Deferred policy acquisition costs		27,064	17,475
Other assets		10,588	6,445
Available-for-sale investments	4	85,838	74,454
Long-term deposit		7,500	7,500
Held-to-maturity investments	4	75,000	75,000
Due from shareholders		87,570	51,472
Furniture, fixtures and equipment		4,141	4,464
Intangibles - computer software		2,886	3,004
TOTAL INSURANCE OPERATIONS' ASSETS		1,068,718	913,889
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	145,903	10,636
Short-term deposits		105,000	20,000
Other assets		3,726	4,234
Available-for-sale investments	4	130,109	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		610,988	266,189
TOTAL ASSETS		1,679,706	1,180,078

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

		September 30, 2015	December 31, 2014
	Note	(Unaudited)	(Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reinsurers' balances payable		63,276	42,723
Unearned premiums		437,292	279,550
Outstanding claims		207,498	258,938
Claims incurred but not reported and other reserve		247,736	220,668
		455,234	479,606
Deferred reinsurance commission		8,305	4,831
Accrued and other liabilities		80,103	85,733
Employee termination benefits		19,153	17,380
Total insurance operations' liabilities		1,063,363	909,823
Accumulated surplus from insurance operations		4,733	2,926
Fair value reserve on available-for-sale investments		622	1,140
Total insurance operations' accumulated surplus		5,355	4,066
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		1,068,718	913,889
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	7	6,661	4,839
Accrued and other liabilities		1,746	2,734
Payable on acquisition of a portfolio transfer	12	50,000	-
Due to insurance operations		87,571	51,472
Total shareholders' liabilities		145,978	59,045
Shareholders' equity			
Share capital	8	450,000	200,000
Statutory reserve	9	4,391	921
Fair value reserve		271	2,541
Accumulated surplus		10,348	3,682
Total shareholders' equity		465,010	207,144
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		610,988	266,189
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,679,706	1,180,078

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

		For three-month period ended September 30,		For nine-month period ended September 30,	
	Note	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
REVENUES					
Gross premiums written	13	372,883	263,921	990,148	761,747
Less: Reinsurance premiums ceded	13	(44,341)	(38,156)	(99,432)	(93,870)
Net premiums written		328,542	225,765	890,716	667,877
Changes in unearned premiums		(81,338)	(19,133)	(147,716)	(92,496)
Net premiums earned		247,204	206,632	743,000	575,381
Reinsurance commissions	13	4,142	3,707	12,677	13,200
Commission income		1,857	2,022	6,031	5,540
Total revenues		253,203	212,361	761,708	594,121
COSTS AND EXPENSES					
Gross claims paid		224,243	157,078	664,069	471,781
Less: Reinsurers' share		(41,278)	(8,961)	(73,443)	(46,995)
Net claims paid		182,965	148,117	590,626	424,786
Changes in outstanding claims		21,415	18,285	24,846	51,428
Net claims incurred		204,380	166,402	615,472	476,214
Policy acquisition costs		17,632	12,434	50,212	34,117
General and administrative expenses		28,650	27,019	77,947	68,678
Total costs and expenses		250,662	205,855	743,631	579,009
Net surplus from insurance operations		2,541	6,506	18,077	15,112
Shareholders' appropriation of surplus		(2,287)	(5,855)	(16,269)	(13,600)
Net results from insurance operations after appropriation of surplus		254	651	1,808	1,512
Accumulated surplus, beginning of the period		4,480	2,519	2,926	1,658
Accumulated surplus, end of the period		4,734	3,170	4,734	3,170

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 INCOME - SHAREHOLDERS' OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Note	For three-month period ended September 30,		For nine-month period ended September 30,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Net surplus transferred from insurance operations	2,287	5,855	16,269	13,600
Commission income	2,530	1,640	7,572	6,455
General and administrative expenses	(355)	(286)	(1,236)	(1,070)
Shareholders' net income for the period	4,462	7,209	22,605	18,985
Weighted average number of outstanding shares	45,000	33,532	43,265	33,532
Basic and diluted earnings per share for the period (Saudi Riyals)	11 0.09	0.21	0.52	0.57

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 COMPERHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For three-month period ended September 30,		For nine-month period ended September 30,	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Shareholders' net income for the period		4,462	7,209	22,605	18,985
Provision for zakat and income tax	7	(1,593)	(1,762)	(5,254)	(4,732)
Net income for the period		2,869	5,447	17,351	14,253
Unrealized (loss) / gain on available- for- sale investments	4	(3,787)	1,382	(2,270)	2,811
Total comprehensive income for the period		(918)	6,829	15,081	17,064

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
<u>Unaudited</u>						
Balance at January 1, 2015		200,000	921	2,541	3,682	207,144
Share capital		250,000	-	-	-	250,000
Total comprehensive income / loss		-	-	-	17,351	17,351
Transfer to statutory reserve	9	-	3,470	-	(3,470)	-
Right issue transaction cost		-	-	-	(7,215)	(7,215)
Changes in fair value reserve on available-for-sale investments, net		-	-	(2,270)	-	(2,270)
Balance at September 30, 2015		450,000	4,391	271	10,348	465,010
<u>Unaudited</u>						
Balance at January 1, 2014		200,000	-	2,378	(11,003)	191,375
Net income for the period		-	-	-	14,253	14,253
Changes in fair value reserve on available-for-sale investments		-	-	2,811	-	2,811
Balance at September 30, 2014		200,000	-	5,189	3,250	208,439

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 OPERATIONS¹
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Nine- month period ended	
		September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cash flow from operating activities			
Net result from insurance operations		1,808	1,512
Adjustments to reconcile net result from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance Operations		16,269	13,600
Amortization of intangibles		1,120	-
Depreciation		1,747	2,687
		20,944	17,799
<u>Changes in operating assets and liabilities:</u>			
Premiums and insurance balances receivable - net		(174,371)	(45,328)
Reinsurers' share of unearned premiums		(10,026)	(8,778)
Reinsurers' share of outstanding claims		49,219	7,000
Deferred policy acquisition costs		(9,589)	(4,522)
Other assets		(4,143)	(1,370)
Receivable from related parties		(2,282)	(8,178)
Reinsurers' balances payable		20,553	(13,836)
Unearned premiums		157,742	101,274
Outstanding claims		(51,440)	23,096
Claims incurred but not reported and other reserve		27,068	21,332
Advance premiums		-	(7,517)
Deferred reinsurance commission		3,474	909
Accrued and other liabilities		(5,630)	(6,178)
Employee termination benefits		1,773	664
Due from shareholders		(52,368)	(37,897)
Net cash (used in) provided by operating activities		(29,076)	38,470
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(1,425)	(1,734)
purchase of computer software		(1,002)	-
Short-term deposits		34,559	(126,459)
Purchase of available-for-sale investments	4	(13,111)	(8,410)
Proceeds from sale of available-for-sale investments		1,210	24,091
Net cash provided by / (used in) investing activities		20,231	(112,512)
Net change in cash and cash equivalents		(8,845)	(74,042)
Cash and cash equivalents, beginning of the period		188,876	171,605
Cash and cash equivalents, end of the period	3	180,031	97,563
<u>Supplemental cash flow information</u>			
<u>Non-cash investing activity</u>			
Unrealized (loss) / gain on available-for-sale investments		(518)	2,331

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 - SHAREHOLDERS' OPERATIONS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Nine -month period ended	
		September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cash flow from operating activities			
Shareholders' net income for the period		22,605	18,985
Adjustments to reconcile net income to net cash provided by operating activities:			
Appropriation of surplus from insurance operations		(16,269)	(13,600)
		6,336	5,385
Changes in operating assets and liabilities:			
Other assets		507	(1,558)
Zakat and income tax paid		(3,432)	(3,044)
Accrued and other liabilities		(987)	205
Due to insurance operations		52,368	37,897
Net cash provided by operating activities		54,792	38,885
Cash flow from investing activities			
Short-term deposits		(85,000)	(20,000)
long term deposit		(15,000)	-
Statutory deposit		(25,000)	-
Purchase of available-for-sale investments	4	(40,430)	(17,608)
Proceeds from sale of available-for-sale investments		3,120	5,053
Net cash used in investing activities		(162,310)	(32,555)
Cash flow from financing activities			
Share capital issued		250,000	-
Right issue transactions cost		(7,215)	-
Net cash provided by financing activities		242,785	-
Net increase in cash and cash equivalents		135,267	6,330
Cash and cash equivalents, beginning of the period	3	10,636	891
Cash and cash equivalents, end of the period	3	145,903	7,221
Supplemental cash flow information			
Zakat and income tax charged to shareholders' comprehensive income	7	(5,254)	(4,732)
Unrealized (loss) / gain on available-for-sale investments	4	(2,270)	2,811
Goodwill on acquisition of insurance portfolio		50,000	-

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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).

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 nine month period ended September 30, 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 COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

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.

AXA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	30 September 2015 (Unaudited)	31 December 2014 (Audited)
Insurance operations:		
Cash and cash equivalents	54,409	98,538
Time deposits	125,622	90,338
	180,031	188,876
Shareholder's operations:		
Cash and cash equivalents	145,903	10,000
Time deposits	-	636
	145,903	10,636

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
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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

4 Investments

4 -a Available-for-sale investments

As at and for the Nine-month period ended September 30, 2015 (Unaudited)

	Insurance operations	Shareholders' Operations
Balance, beginning of the period	74,454	95,069
Purchases	13,111	40,430
Disposals	(1,155)	(2,245)
Accretion of premium on available-for-sale investments	10	17
Amortization of the discount on available-for-sale investments	(64)	(111)
Impairment	-	(781)
Changes in fair value, net	(518)	(2,270)
Balance, end of the period	85,838	130,109

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 September 30, 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	
				September 30, 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
				75,000	75,000

Shareholders' operations:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Sukuks	Saudi government	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 the period ended March 31, 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 March 31, 2015. 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 September 30,		For nine-month period ended September 30,	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Gross premiums written	9,404	9,016	25,172	21,799
Net claims paid	1,909	2,043	7,679	6,370
Reinsurance ceded	14,538	16,878	49,172	55,312
Reinsurers' share of outstanding claims	14,825	7,829	30,284	29,856
Reinsurance commissions	1,401	1,777	5,107	5,531
Expenses charged by related parties	276	411	1,304	1,394
Directors remunerations	279	282	848	932
Key management personnel	1,507	1,478	5,033	4,451
Contributions to pension scheme	169	160	515	480

b) Related party balances

i) Premiums and insurance balances receivable

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Receivable from policy holders	5,349	1,482
Receivable from reinsurers	24,394	5,076
	29,743	6,558
Provision for doubtful debts	(1,802)	(313)
Total	27,941	6,245

ii) Receivable from related parties

Receivable from related parties at September 30, 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 Global P&C (Formally AXA Cessions).

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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 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 September 30, 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) 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 nine-month period ended September 30, 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 September 30, 2015 and December 31, 2014 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2015 (Unaudited)</u>				
Available-for-sale investments:				
Insurance operations	85,838	-	-	85,838
Shareholders' operations	130,109	-	-	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.

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11 Earnings per share

Basic and diluted earnings per share for nine month period September 30, 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 September 30, 2015 and 2014 has been determined as follows:

	Nine months period ended	
	September 2015	September 2014
	(Unaudited)	(Unaudited)
Weighted average number of shares outstanding before rights issue	20,000,000	20,000,000
Add: effects of rights issue	23,265,006	13,532,000
Weighted average number of shares outstanding after rights issue	43,265,006	33,532,000

Also see Note 8.

12 Contingencies and commitment

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.

During the nine month period ended September 30, 2015 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. The payment of remaining Saudi Riyals 56.7 million depends upon various condition, mentioned above, and is considered as a contingent liability. Management will however, reassess the conditions for settlement of the consideration at the end of the year and will recognize further liability, if required.

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 September 30, 2015 and 2014 (Unaudited)

<u>30 September 2015</u>	Accident and liability	Motor	Property	Marine	General and medical Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	7,294	199,272	33,513	10,525	11,797	1,023	106,953	370,377	2,506	372,883
Less: reinsurance premiums ceded	(1,346)	(639)	(27,698)	(4,978)	(8,864)	(45)	(275)	(43,845)	(496)	(44,341)
Net premiums written	5,948	198,633	5,815	5,547	2,933	978	106,678	326,532	2,010	328,542
Changes in unearned premiums	1,201	(72,666)	(71)	994	(129)	347	(13,706)	(84,030)	2,692	(81,338)
Net premiums earned	7,149	125,967	5,744	6,541	2,804	1,325	92,972	242,502	4,702	247,204
Reinsurance commissions	177	8	1,948	1,923	256	-	29	4,341	(199)	4,142
Total Revenue	7,326	125,975	7,692	8,464	3,060	1,325	93,001	246,843	4,503	251,346
Gross claims paid	77	119,978	44,676	(3,268)	2,174	28	58,212	221,877	2,366	224,243
Less: reinsurers' share	-	(2)	(44,356)	4,519	(575)	-	(64)	(40,478)	(800)	(41,278)
Net claims paid	77	119,976	320	1,251	1,599	28	58,148	181,399	1,566	182,965
Changes in outstanding claims	2,896	(13,505)	6,065	5,263	1,675	(2)	18,147	20,539	876	21,415
Net claims incurred	2,973	106,471	6,385	6,514	3,274	26	76,295	201,938	2,442	204,380
Policy acquisition costs	818	6,452	2,173	916	876	46	5,781	17,062	570	17,632
Operating and administrative salaries	511	7,610	1,243	851	391	67	5,610	16,283	387	16,670
Other general and administrative expenses	361	5,478	878	614	284	44	4,042	11,701	279	11,980
Total costs and expenses	4,663	126,011	10,679	8,895	4,825	183	91,728	246,984	3,678	250,662
Surplus from insurance operations										684
Commission Income										1,857
Net surplus from Insurance operations										2,541
Shareholders' appropriation of surplus from insurance operations										(2,287)
Net result from insurance operations' after appropriation of surplus										254

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13 Segment reporting (Continuing)

30 September 2014	General and medical							Total	Protection	Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health			
Gross premiums written	5,876	94,705	28,852	13,165	5,332	670	110,12 _x	258,728	5,193	263,921
Less: reinsurance premiums ceded	(2,390)	(304)	(24,921)	(6,076)	(3,668)	(31)	(266)	(37,656)	(500)	(38,156)
Net premiums written	3,486	94,401	3,931	7,089	1,664	639	109,86 ₂	221,072	4,693	225,765
Changes in unearned premiums	1,625	867	1,036	(634)	1,673	281	(26,363 ₃)	(21,515)	2,382	(19,133)
Net premiums earned	5,111	95,268	4,967	6,455	3,337	920	83,499	199,557	7,075	206,632
Reinsurance commissions	209	-	1,740	1,493	225	-	180	3,847	(140)	3,707
Total Revenue	5,320	95,268	6,707	7,948	3,562	920	83,679	203,404	6,935	210,339
Gross claims paid	340	82,181	11,878	2,988	405	12	55,411	153,215	3,863	157,078
Less: reinsurers' share	-	-	(7,112)	(912)	(79)	-	(858)	(8,961)	-	(8,961)
Net claims paid	340	82,181	4,766	2,076	326	12	54,553	144,254	3,863	148,117
Changes in outstanding claims	(855)	666	3,246	2,407	(112)	17	13,507	18,876	(591)	18,285
Net claims incurred	(515)	82,847	8,012	4,483	214	29	68,060	163,130	3,272	166,402
Policy acquisition costs	651	1,962	1,898	956	588	53	5,137	11,245	1,189	12,434
Operating and administrative salaries	366	6,244	1,209	830	487	139	5,545	14,820	587	15,407
Other general and administrative expenses	273	4,754	904	641	359	105	4,181	11,217	395	11,612
Total costs and expenses	775	95,807	12,023	6,910	1,648	326	82,923	200,412	5,443	205,855
Surplus from insurance operations										4,484
Commission Income										2,022
Net surplus from Insurance operations										6,506
Shareholders' appropriation of surplus from insurance operations										(5,855)
Net result from insurance operations' after appropriation of surplus										651

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13 Segment reporting (Continuing)

Insurance operations for the Nine-month period ended September 30, 2015 and 2014 (Unaudited)

	----- General and medical -----									
<u>30 September 2015</u>	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	23,651	501,028	62,114	40,671	36,287	3,299	301,700	968,750	21,398	990,148
Less: reinsurance ceded	(2,713)	(2,274)	(45,367)	(20,551)	(20,796)	(233)	(1,235)	(93,169)	(6,263)	(99,432)
Net premiums written	20,938	498,754	16,747	20,120	15,491	3,066	300,465	875,581	15,135	890,716
Changes in unearned premiums	(1,745)	(118,317)	(2,872)	1,538	(6,985)	(288)	(18,129)	(146,798)	(918)	(147,716)
Net premiums earned	19,193	380,437	13,875	21,658	8,506	2,778	282,336	728,783	14,217	743,000
Reinsurance commissions	505	26	5,275	5,545	609	-	64	12,024	653	12,677
Total revenue	19,698	380,463	19,150	27,203	9,115	2,778	282,400	740,807	14,870	755,677
Gross claims paid	937	322,991	74,272	8,232	4,579	96	244,117	655,224	8,845	664,069
Less: reinsurers' share	(63)	(21)	(65,001)	(3,494)	(1,416)	-	(1,347)	(71,342)	(2,101)	(73,443)
Net claims paid	874	322,970	9,271	4,738	3,163	96	242,770	583,882	6,744	590,626
Changes in outstanding claims	5,898	3,161	752	10,933	11,542	85	(9,339)	23,032	1,814	24,846
Net claims incurred	6,772	326,131	10,023	15,671	14,705	181	233,431	606,914	8,558	615,472
Policy acquisition costs	2,223	18,389	5,787	2,900	2,765	123	15,653	47,840	2,372	50,212
Operating and administrative Salaries	1,367	22,171	3,324	2,505	1,195	127	16,417	47,106	1,121	48,227
Other general and administrative Expenses	842	13,663	2,049	1,544	736	78	10,117	29,029	691	29,720
Total costs and expenses	11,204	380,354	21,183	22,620	19,401	509	275,618	730,889	12,742	743,631
Surplus from insurance operations										12,046
Commission income										6,031
Net surplus from insurance operations										18,077
Shareholders' appropriation of surplus from insurance operations										(16,269)
Net results from insurance operations' after appropriation of surplus										1,808

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13 Segment reporting (Continuing)

	----- General and medical -----									
30 September 2014	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	22,957	300,161	56,718	39,402	26,772	2,619	290,054	738,683	23,064	761,747
Less: reinsurance ceded	(5,108)	(806)	(44,007)	(19,091)	(13,776)	(192)	(4,992)	(87,972)	(5,898)	(93,870)
Net premiums written	17,849	299,355	12,711	20,311	12,996	2,427	285,062	650,711	17,166	667,877
Changes in unearned premiums	(3,521)	(25,330)	(3,354)	(801)	(4,692)	(398)	(50,970)	(89,066)	(3,430)	(92,496)
Net premiums earned	14,328	274,025	9,357	19,510	8,304	2,029	234,092	561,645	13,736	575,381
Reinsurance commissions	599	-	4,813	4,426	600	-	1,440	11,878	1,322	13,200
Total revenue	14,927	274,025	14,170	23,936	8,904	2,029	235,532	573,523	15,058	588,581
Gross claims paid	2,251	233,428	50,856	6,961	5,053	570	164,687	463,806	7,975	471,781
Less: reinsurers' share	(3)	-	(41,033)	(2,023)	(874)	-	(2,962)	(46,895)	(100)	(46,995)
Net claims paid	2,248	233,428	9,823	4,938	4,179	570	161,725	416,911	7,875	424,786
Changes in outstanding claims	(7)	7,644	4,888	4,663	1,148	(480)	33,564	51,420	8	51,428
Net claims incurred	2,241	241,072	14,711	9,601	5,327	90	195,289	468,331	7,883	476,214
Policy acquisition costs	1,831	5,445	6,191	2,740	1,582	101	14,755	32,645	1,472	34,117
Operating and administrative										
Salaries	1,015	18,228	3,367	2,514	1,300	394	15,778	42,596	1,194	43,790
Other general and administrative										
Expenses	577	10,360	1,914	1,429	739	224	8,968	24,211	677	24,888
Total costs and expenses	5,664	275,105	26,183	16,284	8,948	809	234,790	567,783	11,226	579,009
Net underwriting result										9,572
Commission income										5,540
Net surplus from insurance operation										15,112
Shareholders' appropriation of surplus from insurance operations										(13,600)
Net results from insurance operations' after appropriation of surplus										1,512

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13 Segment reporting (continued)

Insurance operations' financial position as at September 30, 2015 (Unaudited) and December 31, 2014 (Audited)

	----- General and medical -----									
30 September 2015	Accident	Motor	Property	Marine	Engineering	Other	Health	Total	Protection	Grand Total
<u>Insurance</u>	and liability					general				
<u>operations' assets</u>						insurance				
Reinsurers' share of unearned premiums	1,491	54	23,867	2,161	15,422	31	215	43,241	1,858	45,099
Reinsurers' share of outstanding claims	489	1	33,812	51,206	5,392	(210)	1,152	91,842	468	92,310
Deferred policy acquisition costs	1,362	9,677	4,488	269	1,668	45	8,497	26,006	1,058	27,064
Unallocated assets	-	-	-							904,245
Total insurance operations' assets		-	-							<u>1,068,718</u>
<u>Insurance</u>										
<u>operations' liabilities</u>										
Unearned premiums	13,491	163,213	34,009	4,772	32,864	761	179,612	428,722	8,570	437,292
Outstanding claims	10,827	168,600	62,461	73,247	30,998	94	97,345	443,572	11,662	455,234
Deferred reinsurance commission	250	7	4,683	628	2,315	(24)	51	7,910	395	8,305
Unallocated liabilities	-	-								167,887
Total insurance operations' liabilities	-	-								<u>1,068,718</u>

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13 Segment reporting (continued)

	----- General and medical -----									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
31 December 2014										
<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 October 15, 2015.