

**AXA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH PERIOD AND YEAR ENDED  
31 DECEMBER 2017 (UNAUDITED)  
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

**AXA COOPERATIVE INSURANCE COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2017**

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International  
Accountants

Auditors • Business & Tax Advisor

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## Report on review of interim financial information

To the shareholders of AXA Cooperative Insurance Company:  
(A Saudi Joint Stock Company)

### Introduction

We have reviewed the accompanying interim statement of financial position of AXA Cooperative Insurance Company (a Saudi Joint Stock Company) (the "Company") as of 31 December 2017 and the related interim statements of insurance operations' income and accumulated surplus, insurance operations' comprehensive income, shareholders' operations and shareholders' comprehensive income for the three-month period and year then ended and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year ended 31 December 2017 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for zakat and income tax.

**PricewaterhouseCoopers**  
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13 February 2018

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AXA COOPERATIVE 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	31 December 2017 (Unaudited)	31 December 2016 (Audited)
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	117,776	132,602
Short-term deposits		500,862	380,074
Premiums and insurance balances receivable - net	4, 6	153,398	122,672
Reinsurers' share of unearned premiums		22,059	29,078
Reinsurers' share of outstanding claims and reserves		154,754	105,316
Deferred policy acquisition costs		28,168	19,130
Available-for-sale investments	7	239,927	134,810
Prepayments and other receivable		16,113	18,456
Long-term deposits		103,380	7,500
Held-to-maturity investments	7	78,836	75,000
Furniture, fixtures and equipment		7,016	6,070
Intangible - computer software		9,983	7,984
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>1,432,262</b>	<b>1,038,752</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	-	-
Short-term deposits		76,111	60,000
Available-for-sale investments	7	155,862	160,466
Prepayments and other receivable		1,412	2,366
Investment return on statutory deposit		2,693	1,859
Long-term deposits		105,000	116,250
Held-to-maturity investments	7	60,000	60,000
Goodwill on acquisition of insurance portfolio	12	50,000	50,000
Due from insurance operations		78,456	25,448
Statutory deposit	8	45,000	45,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>574,534</b>	<b>521,389</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>2,006,796</b>	<b>1,560,141</b>

(Continued)

The accompanying notes are an integral part of this condensed interim financial information.





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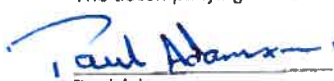
AXA COOPERATIVE INSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF FINANCIAL POSITION (Continued)  
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		As at	
	Note	31 December 2017 (Unaudited)	31 December 2018 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS</b>			
Reinsurance balances payable	6	59,093	33,547
Gross unearned premiums		345,030	290,295
Gross outstanding claims and reserves		761,002	557,152
Advance premiums		17,842	7,339
Unearned reinsurance commission income		4,284	5,424
Accrued and other liabilities		130,542	86,296
Due to shareholder's operations		78,458	25,448
Due to a related party	6	4,335	3,534
Employee benefit obligations		24,744	22,402
<b>Total insurance operations' liabilities</b>		<b>1,425,328</b>	<b>1,031,437</b>
Accumulated surplus from insurance operations		7,422	8,198
Fair value reserve on available-for-sale investments		(488)	(883)
<b>Total insurance operations' accumulated surplus</b>		<b>6,934</b>	<b>7,315</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>1,432,262</b>	<b>1,038,752</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
Shareholders' liabilities			
Zakat and income tax payable	5	27,076	18,961
Accrued and other liabilities		1,020	1,020
Commission payable on statutory deposits		2,693	1,859
<b>Total shareholders' liabilities</b>		<b>30,789</b>	<b>21,840</b>
Shareholders' equity			
Share capital	10	450,000	450,000
Statutory reserve	9	20,162	11,150
Fair value reserve		(264)	830
Performance share reserve	11	982	640
Retained earnings		72,865	36,929
<b>Total shareholders' equity</b>		<b>543,745</b>	<b>499,549</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>574,534</b>	<b>521,389</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>2,006,796</b>	<b>1,560,141</b>

CONTINGENCIES

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The accompanying notes are an integral part of this condensed interim financial information.

  
Paul Adamson  
Managing Director

  
Gary Lewin  
Chief Executive Officer

  
Babar Ali Khan  
Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY


(A Saudi Joint Stock Company)


INTERIM STATEMENT OF INSURANCE OPERATIONS' INCOME AND ACCUMULATED SURPLUS

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

		Three-month period ended 31 December 2017	Three-month period ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>REVENUE</b>					
Gross premiums written	6	189,051	115,626	1,499,477	1,153,974
Less: reinsurance premiums ceded		(15,292)	(15,303)	(199,803)	(93,832)
Net premiums written		173,759	100,323	1,299,874	1,060,142
Changes in unearned premiums, net		132,979	166,005	(61,754)	(11,143)
Net premiums earned		306,738	266,328	1,238,120	1,048,999
Reinsurance commissions		6,144	2,857	20,084	14,881
Total revenue		312,882	269,185	1,264,184	1,063,880
<b>COSTS AND EXPENSES</b>					
Gross claims paid and other expenses		271,603	219,653	911,992	801,969
Reinsurers' share of claims paid		(23,384)	(2,278)	(72,458)	(38,678)
Net claims paid		248,139	217,375	839,534	765,291
Changes in outstanding claims and reserves, net		(12,165)	201	154,412	95,924
Net claims incurred	6	235,974	217,576	993,946	861,215
Policy acquisition costs		29,135	18,855	104,239	72,378
General and administrative expenses	6	38,724	29,867	133,713	107,408
Total costs and expenses		303,833	266,298	1,231,898	1,041,001
Operating surplus		9,049	2,887	32,286	22,879
Commission income	7	6,769	4,464	23,018	16,551
Surplus from insurance operations		15,818	7,351	55,304	39,430
Shareholders' appropriation of surplus		(14,237)	(6,616)	(49,774)	(35,487)
Insurance operations' surplus after shareholders' appropriation of surplus		1,581	735	6,530	3,943
Accumulated surplus, beginning of the period / year		9,717	7,569	8,198	5,357
Surplus distributed during the period / year		(3,876)	(106)	(6,306)	(1,102)
Accumulated surplus, end of the period / year		7,422	8,198	7,422	8,198

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Paul Adamson  
Managing Director

  
Gary Lewin  
Chief Executive Officer

  
Babar Ali Khan  
Chief Financial Officer


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

	Note	Three-month period ended 31 December 2017 (Unaudited)	Three-month period ended 31 December 2016 (Unaudited)	Year ended 31 December 2017 (Unaudited)	Year ended 31 December 2016 (Audited)
Insurance operations' surplus after shareholders' appropriation of surplus		1,581	735	5,530	3,943
OTHER COMPREHENSIVE INCOME:					
Items that may subsequently be reclassified to statement of Insurance operations' income and accumulated surplus					
Changes in fair value reserve for available-for-sale investments, net	7	492	(2,109)	395	(728)
Total comprehensive income (loss) for the period / year		2,073	(1,374)	5,925	3,215

The accompanying notes are an integral part of this condensed interim financial information.

  
Paul Adamson  
Managing Director

  
Gary Lewin  
Chief Executive Officer

  
Babar Ali Khan  
Chief Financial Officer

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 31 December 2017 (Unaudited)	Three-month period ended 31 December 2016 (Unaudited)	Year ended 31 December 2017 (Unaudited)	Year ended 31 December 2016 (Audited)
Net surplus transferred from insurance operations		14,237	8,616	49,774	35,487
Commission income	7	2,951	2,585	12,165	8,929
General and administrative expenses	6	(693)	(488)	(1,752)	(1,739)
Shareholders' net income for the period / year		16,495	8,713	60,187	42,677
Weighted average number of outstanding shares ('000')		45,000	45,000	45,000	45,000
Basic and diluted earnings per share (Saudi Riyals)	15	0.37	0.19	1.34	0.95

The accompanying notes are an integral part of this condensed interim financial information.



Paul Adamson  
Managing Director



Gary Lewin  
Chief Executive Officer



Babar Ali Khan  
Chief Financial Officer



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

The accompanying notes are an integral part of this condensed interim financial information.


**Babar Ali Khan**  
Chief Financial Officer


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)

	Share capital	Statutory reserve	Fair value reserve	Performance share reserve	Retained earnings	Total
Balance at 1 January 2017 (Audited)	450,000	11,150	830	640	35,929	499,549
Income for the year	-	-	-	-	60,187	60,187
Changes in fair value reserve for available-for-sale investments, net	-	-	(1,094)	-	-	(1,094)
Transfer to statutory reserve	-	9,012	-	-	(9,012)	-
Provision for zakat	-	-	-	-	(10,164)	(10,164)
Provision for income tax	-	-	-	-	(4,961)	(4,961)
Performance share reserve	-	-	-	475	-	475
Performance share reserve - settlement	-	-	-	(247)	-	(247)
Transfer from retained earnings	-	-	-	114	(114)	-
Balance at 31 December 2017 (Unaudited)	450,000	20,162	(264)	982	72,865	543,745
Balance at 1 January 2016 (Audited)	450,000	5,132	17	-	13,312	468,461
Income for the year	-	-	-	-	42,677	42,677
Changes in fair value reserve for available-for-sale investments, net	-	-	813	-	-	813
Transfer to statutory reserve	-	6,018	-	-	(6,018)	-
Provision for zakat	-	-	-	-	(9,246)	(9,246)
Provision for income tax	-	-	-	-	(3,341)	(3,341)
Performance share reserve	-	-	-	640	-	640
Transfer from retained earnings	-	-	-	-	(455)	(455)
Balance at 31 December 2016 (Audited)	450,000	11,150	830	640	35,929	499,549

The accompanying notes are an integral part of this condensed interim financial information.

  
Paul Adamson  
Managing Director

  
Gary Lewin  
Chief Executive Officer

  
Babar Ali Khan  
Chief Financial Officer

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)

		Year ended 31 December 2017 (Unaudited)	Year ended 31 December 2016 (Audited)
Note			
	Cash flows from operating activities		
	Net surplus from insurance operations	5,530	3,943
	<u>Adjustments to reconcile surplus from insurance operations to net cash from operating activities:</u>		
	Shareholders' appropriation of surplus from insurance operations	49,774	35,487
	Amortization of premium on available-for-sale investments	79	92
7	Accretion of the discount on available-for-sale investments	(142)	(27)
	Depreciation	2,577	2,567
	Amortization of intangibles	2,332	1,979
		60,160	44,041
	<u>Changes in operating assets and liabilities:</u>		
	Premiums and insurance balances receivable, net	(30,726)	18,623
	Reinsurers' share of unearned premiums	7,019	14,304
	Reinsurers' share of outstanding claims and reserves	(49,438)	(2,679)
	Deferred policy acquisition costs	(9,028)	(441)
	Prepayments and other receivable	2,343	(10,310)
	Due from shareholders' operations	3,234	116,930
	Reinsurance balances payable	25,546	(9,227)
	Deferred reinsurance commission	(1,140)	(1,080)
	Gross unearned premiums	54,735	(3,161)
	Gross outstanding claims and reserves	203,850	98,603
	Advance premiums	10,603	7,339
	Accrued expenses and other liabilities	44,246	(8,986)
	Due to a related party	801	3,433
	Employee benefit obligations	2,342	1,986
	Surplus contribution paid	(6,306)	(1,102)
	Net cash inflow from operating activities	318,131	268,273
	Cash flows from investing activities		
	Short-term deposits	(120,788)	(120,164)
	Purchase of furniture, fixtures and equipment	(3,623)	(2,382)
7	Proceeds from sale of available-for-sale investments	22,943	71
7	Purchase of available-for-sale investments	(127,602)	(50,666)
	Held to maturity	(3,836)	-
	Long term deposit	(95,880)	-
	Purchase of intangible assets	(4,331)	(6,756)
	Net cash outflow from investing activities	(333,017)	(179,897)
	Net change in cash and cash equivalents	(14,886)	88,376
	Cash and cash equivalents, beginning of the period	132,662	44,286
	Cash and cash equivalents, end of the year	3	117,776
			132,662


Supplemental cash flow information:

Non-cash investing activity:

Unrealized fair value changes on available-for-sale investments 7 395 (728)

The accompanying notes are an integral part of this condensed interim financial information.

  
Paul Adamson  
Managing Director


  
Gary Lewin  
Chief Executive Officer

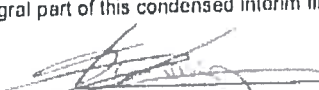
  
Babar Ali Khan  
Chief Financial Officer

AXA COOPERATIVE 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 31 December 2017 (Unaudited)	Year ended 31 December 2016 (Audited)
Note			
	Cash flows from operating activities	60,187	42,677
	Shareholders' net income for the period		
	<u>Adjustments to reconcile net income to net cash from operating activities:</u>		
	Performance share reserve - charge during the period	475	1,073
7	Impairment loss on available for sale Investments	1,822	3,128
7	Amortization of premium on available for sale Investments	149	176
7	Accretion of the discount on available for sale Investments	(69)	(44)
	Appropriation of surplus from insurance operations	<u>(49,774)</u>	<u>(35,487)</u>
		12,790	11,523
	<u>Changes in operating assets and liabilities:</u>		
	Prepayments and other receivable	954	(1,417)
	Zakat and Income tax paid	(7,010)	(884)
	Investment return on statutory deposit	(834)	363
	Commission on statutory deposit payable	834	789
	Due to insurance operations	49,774	(91,482)
	Due from insurance operations	<u>(53,008)</u>	<u>(25,448)</u>
	Net cash inflow (outflow) from operating activities	3,600	(106,358)
	Cash flows from investing activities		
	Short-term deposits	(16,111)	45,360
	Long term deposit	11,250	(45,000)
7	Purchase of available-for-sale Investments	(43,806)	(43,195)
7	Proceeds from disposal of available-for-sale Investments	<u>45,414</u>	<u>3,620</u>
	Net cash outflow from investing activities	(3,253)	(39,215)
	Cash flows from financing activities		
	Performance share reserve - settlement	(247)	(888)
	Net change in cash and cash equivalents	-	(146,459)
	Cash and cash equivalents, beginning of the year	-	146,459
3	Cash and cash equivalents, end of the year	-	-
	<u>Supplemental cash flow information:</u>		
	Non-cash operating activity:		
	Zakat and income tax charged to shareholders' comprehensive income	<u>(16,126)</u>	<u>(12,587)</u>
	Non-cash investing activity:		
7	Unrealized fair value changes on available-for-sale Investments, net	<u>(1,094)</u>	813

The accompanying notes are an integral part of this condensed interim financial information.

  
Paul Adamson  
Managing Director

  
Gary Lewin  
Chief Executive Officer

  
Babar Ali Khan  
Chief Financial Officer

## **AXA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**

#### **FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2017**

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

## **1. General information**

### **Legal status and principal activities**

AXA Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in the Kingdom of Saudi Arabia by the Royal Decree number M/36 dated 27 Jumada II 1429H (1 July 2008) (date of inception). The Company was incorporated vide Ministerial Order number Q/192, dated 10 Jumada II 1430H, (3 June 2009) (date of incorporation). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010271203 issued in Riyadh on Rajab 20, 1430H (13 July 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 related activities including reinsurance activities in accordance with the Law on Supervision of Cooperative Insurance (the "Law"), the Company's by-laws and other regulations promulgated in the Kingdom of Saudi Arabia. The Company obtained licence from the Saudi Arabian Monetary Authority ("SAMA") to practice general and health insurance and reinsurance business in the Kingdom of Saudi Arabia vide licence number TMN/25/20101, dated Safar 11, 1431H (corresponding to 26 January 2010). The Company has commenced insurance operations on Rabi' I 4, 1431H (corresponding to 18 February 2010) after obtaining full product approval for certain products and temporary approval for the remaining products. During 2016, the Company obtained approval for the remaining products.

## **2. Summary of significant accounting policies**

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

### **2.1 Basis of preparation**

The condensed interim financial information of the Company has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax, which requires, adoption of all International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA circular number 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders' equity under retained earnings.

Until 2016, the condensed interim financial information of the Company was prepared in accordance with the IAS 34. This change in framework resulted in a change in the presentation of zakat and income tax (as disclosed in note 2.2) to the condensed interim financial information.

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations and presents the financial statements accordingly. 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.

In accordance with the requirements of the Implementing Regulations for Co-operative Insurance Companies (the "Regulations") issued by SAMA and as per the by-laws of the Company, surplus arising from the insurance operations is distributed as follows:

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

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations. The accompanying condensed interim financial information 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.

**AXA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH AND YEAR ENDED 31 DECEMBER 2017**

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

**2. Summary of significant accounting policies (continued)****2.2 Accounting policies**

The accounting policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the annual audited financial statements as at and for the year ended 31 December 2016, except for:

(a) The Company used to charge zakat and income tax to the interim statement of changes in shareholders' equity through the interim statement of shareholders' comprehensive income. As a result of the Circular, the Company has changed its presentation relating to zakat and income tax and has started to charge zakat and income tax directly to the interim statement of changes in shareholders' equity. The Company has accounted for this change retrospectively, which has resulted in an increase in the total shareholders' comprehensive income by Saudi Riyals 12.6 million for the year ended 31 December 2016. The above change has not resulted in any changes in any of the components of the shareholders' equity of prior periods presented earlier; and

(b) The adoption of certain amendments and revisions to existing standards as mentioned below, which have no significant financial impact on the condensed interim financial information of the Company. This condensed interim financial information should therefore be read in conjunction with the audited financial statements for the year ended 31 December 2016. The results of the interim period are not indicative of the results of the full statutory financial year.

**Standard****Description**

Amendment to IAS 7

Introduction of additional disclosures

Amendments to IAS 12

Recognition of deferred tax assets for unrealized losses

Annual improvements 2014-2016 (IFRS 12)

Disclosure of interests in other entities

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 to early adopt the following new and amended standards and interpretations issued which will become effective for the period commencing on or after 1 January 2018:

**Standard****Description**

IFRS 15

Revenue from contracts with customers

IFRS 16

Leases

IFRS 17

Insurance contracts

IFRIC 22

Foreign currency transaction and advance consideration

IFRIC 23

Uncertainty over income tax treatments

Amendments to IFRS 9

To confirm when a financial liability measured at amortized cost is modified without resulting in de-recognition

Amendments to IFRS 4

Introduction of overlay approach and a deferral approach

Amendments to IFRS 15

Clarification on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment

Amendment to IAS 40

Clarification that to transfer to, or form, investment properties there must be a change in use.

Amendments to IAS 28

Clarification on accounting of long-term interests in an associate.

Amendments to IFRS 2

Clarification on how to accounts for certain types of share-based payment transactions

Annual improvements 2014 - 2016

IFRS 9 - "Financial instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. International Accounting Standard Board has allowed temporary exemption, for companies issuing insurance contracts, until 2021 or until the new insurance contracts standard is applied, if that is earlier. The Company has decided to defer the implementation of IFRS 9 and expects that IFRS 9 would have certain impact on the classification and measurement of available-for-sale and held-to-maturity investments. Further, the expected credit loss model would have an impact on the impairment assessment of financial assets.

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**2. Summary of significant accounting policies (continued)****2.3 Use of estimates in the preparation of condensed interim financial information**

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 condensed interim financial information present fairly, in all material respects, the financial position and results of operations.

**2.4 Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risk, currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016. There have been no changes in the risk management department or in any risk management policies since the year end.

**2.5 Seasonality of operations**

There are no seasonal changes that affect insurance operations.

**3. Cash and cash equivalents**

	<b>Insurance operations</b>		<b>Shareholders' operations</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand and at banks	100,400	20,269	-	-
Time deposits	17,376	112,393	-	-
	<b>117,776</b>	<b>132,662</b>	<b>-</b>	<b>-</b>

Cash at banks are placed with counterparties that have investment grade credit ratings. As of 31 December 2017, deposits were placed with local banks with original maturities of less than three months from the date of placement and earned financial income at 1.45% to 1.70% (31 December 2016: 0.65% to 1.85%) per annum.

**4. Premiums and insurance balances receivable - net**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Receivable from insurance intermediaries	111,631	68,467
Receivable from policyholders	40,585	60,190
Receivable from reinsurance companies	27,118	19,435
	<b>179,334</b>	<b>148,092</b>
Less: provision for doubtful debts	<b>(25,936)</b>	<b>(25,420)</b>
	<b>153,398</b>	<b>122,672</b>

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**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. Local shareholding used for the purpose of zakat base calculation is 66%.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company. Foreign shareholding subject to income tax is 34%.

**Status of zakat and tax assessment**

During 2014, the General Authority of Zakat and Tax ("GAZT") has 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 filed an appeal against the assessment of GAZT for the additional demand arising out of various disallowances from years 2009 to 2012 with Preliminary Appeal Committee ("PAC"). As per the decision of PAC, the liability was reduced to Saudi Riyals 4.87 million. The appeal against PAC's decision is currently pending for hearing with Higher Appeal Committee.

The GAZT has issued assessments for the years 2013 and 2014 with additional liability amounted of Saudi Riyals 5.3 million and Saudi Riyals 6.3 million, respectively. The Company filed appeal against GAZT's initial assessment and has obtained limited certificates for these years. Zakat and income tax assessments for 2015 and 2016 are currently under review by the GAZT.

**6. Related party transactions and balances**

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

**a) Related party transactions**

Transactions with related parties included in the interim statement of insurance operations' income and accumulated surplus and interim statement of shareholders' operations are as follows:

Nature of transactions	Three - month period ended 31 December 2017 (Unaudited)	Three - month period ended 31 December 2016 (Unaudited)	Year ended 31 December 2017 (Unaudited)	Year ended 31 December 2016 (Audited)
<b>Insurance operations</b>				
Gross premiums written	2,878	5,617	55,884	55,529
Net claims paid	17,231	20,293	39,036	44,221
Reinsurance ceded	16,046	12,372	52,273	50,082
Reinsurers' share of outstanding claims	6,430	1,305	15,086	14,282
Reinsurance commissions	804	652	3,638	3,653
Expenses	783	230	2,129	1,827
Remuneration of key management personnel	1,863	1,839	7,820	7,660
Contribution to provident fund	-	-	726	706
<b>Shareholders' operations</b>				
Directors' remunerations	469	378	1,289	1,228

The transactions with related parties are carried out at commercial terms and conditions. Compensation to key management personnel is based on employment terms and as per the by-laws of the Company.



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**6. Related party transactions and balances (continued)**

**b) Related party balances**

**i) Premiums and insurance balances receivable**

	31 December 2017	31 December 2016
	(Unaudited)	(Audited)
Premiums receivable from related parties	15,943	17,380
Less: provision for doubtful debts	(7,015)	(2,481)
	<u>8,928</u>	<u>14,899</u>

**ii) Due to a related party**

Due to a related party represents amounts payable to AXA Insurance Gulf B.S.C (c.).

**iii) Reinsurance balances payable**

Reinsurance balances payable include Saudi Riyals 30 million (31 December 2016 - Saudi Riyals 16.45 million) payable to related parties.

**7. Investments**

**Available-for-sale investments**

Available-for-sale investments include the following:

	Insurance operations		Shareholders' operations	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Government bonds	78,835	70,990	60,000	72,744
Other bonds	142,993	49,090	78,898	68,815
Mutual funds	18,099	14,730	-	-
Equity investments	-	-	16,964	18,907
	<u>239,927</u>	<u>134,810</u>	<u>155,862</u>	<u>160,466</u>

The equity investments include investment in 1,923,078 shares of Najm for Insurance Services (Najm) (2016: 1,923,078 shares) which are stated at Nil value (31 December 2016: Nil).

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**7. Investments (continued)****Available-for-sale investments (continued)**

The movement in these available-for-sale investments is as follows:

	Insurance operations		Shareholders' operations	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Balance, beginning of the year	134,810	85,008	160,466	123,338
Purchases during the year	127,602	50,666	43,806	43,195
Sold during the period	(22,943)	(71)	(45,414)	(3,620)
Amortization of premium on available-for-sale investments	(79)	(92)	(149)	(176)
Accretion of the discount on available-for-sale investments	142	27	69	44
Impairment	-	-	(1,822)	(3,128)
Unrealised fair value changes, net	395	(728)	(1,094)	813
Balance, end of the year	239,927	134,810	155,862	160,466

**Held-to-maturity investments - Insurance operations**

Held-to-maturity investments at 31 December 2017 and 31 December 2016 comprise of the following:

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				31 December 2017	31 December 2016
				(Unaudited)	(Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	60,000	60,000
Sukuks	Saudi Electricity Global	10 years	3.47%	18,836	15,000
				78,836	75,000

**Held-to-maturity investments - shareholders' operations**

Type of security	Issuer	Maturity period	Profit margin	Book value net of amortization	
				31 December 2017	31 December 2016
				(Unaudited)	(Audited)
Sukuks	General Authority of Civil Aviation II	10 years	3.21%	60,000	60,000

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#### **8. Statutory deposit**

In accordance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.

#### **9. Statutory reserve**

In accordance with By-laws of the Company and Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to transfer not less than 20% of its annual profits, after adjusting 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. Share capital**

The authorized, issued and paid up share capital of the Company is Saudi Riyals 450 million at 31 December 2017 (31 December 2016: Saudi Riyals 450 million) consisting of 45 million shares (31 December 2016: 45 million shares) of Saudi Riyals 10 each.

#### **11. Performance share reserve**

AXA Group (the "Group") has introduced a performance share based plan for employees of AXA entities world-wide which is designed to reward them for their role in achievement of the entities' long-term objectives. This scheme incentivizes employees after completion of certain number of years with the Company, with shares of AXA Societe Anonyme ("AXA SA") without any cost to employees. These shares are issued outside Saudi Arabia and employees have the right to receive at the settlement date, a certain number of AXA SA shares based on the achievement of performance criteria defined by AXA SA and vesting period. The Company absorbs cost of these shares under a group recharge arrangement, paid directly to AXA SA.

At the balance sheet date, the Company recognised changes in reserve of Saudi Riyals 0.34 million (31 December 2016: Saudi Riyals 0.64 million) in respect of performance shares. During the year, the Company recognised an expense of Saudi Riyals 0.5 million (31 December 2016: Saudi Riyals 0.6 million) in the interim statement of shareholders' operations in respect of performance shares.

#### **12. Goodwill on acquisition of insurance portfolio**

This represents goodwill recognized on acquisition of insurance portfolio and net assets of AXA Insurance Saudi Arabia B.S.C (c). The Company received approval from SAMA on 15 Dhul-Qadah 1433H (corresponding to October 1, 2012) to transfer insurance portfolio from AXA Saudi Arabia Holding W.L.L. (formerly AXA Insurance Saudi Arabia B.S.C.c) at a total consideration of SR 106.57 million. During 2015, the Company met payment conditions imposed by SAMA and received approval for payment of SR 50.0 million in respect of initial consideration to AXA Saudi Arabia Holding W.L.L. which was recognized as goodwill being the excess of consideration paid and the net assets acquired. The remaining amount of Saudi Riyals 56.57 million which was recorded as contingent liability was accordingly relinquished.

#### **13. Contingencies**

The Company has provided bank guarantee in favour of the General Authority for Zakat and Tax ("GAZT") of Saudi Riyals 4.87 million against the settlement of zakat and income tax from 2009 till 2012. The Company has issued various other bank guarantees for an amount of Saudi Riyals 1.9 million in the normal course of business. Also see Note 5.

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**14. Segmental information**

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

- Segment assets do not include cash and cash equivalents, short-term deposits, long-term deposits, available-for-sale investments, held-to-maturity investments, receivable from related parties, premiums and insurance balances receivable, prepayments and other receivable, due from shareholders', furniture, fixtures and equipment and intangibles;
- Segment liabilities and surplus do not include reinsurers' balances payable, advance premiums, payable to a related party, accrued and other liabilities, employee end of service benefits and fair value reserve on available-for-sale investments; and
- Operating segments do not include shareholders' operations.

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Accident and liability;
- Motor;
- Property;
- Marine;
- Engineering;
- Other general insurance;
- Health; and
- Protection.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the interim condensed financial information.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of interim condensed financial information of the Company.

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**14. Segmental information (continued)**

**Operating segments**

**For the three - month period ended 31 December 2017 (Unaudited)**

	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	4,871	115,910	7,844	11,132	5,658	895	39,848	186,158	2,893	189,051
Less: reinsurance premiums ceded	(461)	1,540	(5,621)	(5,413)	(3,656)	(13)	(850)	(14,474)	(818)	(15,292)
Net premiums written	4,410	117,450	2,223	5,719	2,002	882	38,998	171,684	2,075	173,759
Changes in unearned premiums, net	(1,211)	95,183	5,279	(318)	2,890	193	28,666	130,682	2,297	132,979
Net premiums earned	3,199	212,633	7,502	5,401	4,892	1,075	67,664	302,366	4,372	306,738
Reinsurance commissions	110	2,302	1,828	1,485	362	-	-	6,087	57	6,144
Total revenue	3,309	214,935	9,330	6,886	5,254	1,075	67,664	308,453	4,429	312,882
Gross claims paid and other expenses	465	194,405	4,268	6,854	1,531	36	59,100	266,659	4,844	271,503
Less: reinsurers' share of claims paid	(95)	(16,659)	(635)	(4,115)	(303)	-	(352)	(22,159)	(1,205)	(23,364)
Net claims paid	370	177,746	3,633	2,739	1,228	36	58,748	244,500	3,639	248,139
Changes in outstanding claims and reserves, net	(342)	(3,555)	(981)	1,957	(363)	126	(7,142)	(10,300)	(1,865)	(12,165)
Net claims incurred	28	174,191	2,652	4,696	865	162	51,606	234,200	1,774	235,974
Policy acquisition costs	810	16,534	2,347	918	1,038	48	6,395	28,090	1,045	29,135
General and administrative expenses	459	26,711	895	689	630	143	8,651	38,178	546	38,724
Total costs and expenses	1,297	217,436	5,894	6,303	2,533	353	66,652	300,468	3,365	303,833
Surplus from insurance operations										9,049
Commission income										6,769
Net surplus from insurance operations										15,818
Shareholders' appropriation of surplus from insurance operations										(14,237)
Net result from insurance operations' after appropriation of surplus										1,581

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**14. Segmental information (continued)**

**Operating segments**

**For the three - month period ended 31 December 2016 (Unaudited)**

	General and medical							Protection	Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health		
Gross premiums written	3,771	47,237	2,643	9,622	5,198	738	43,205	3,212	115,626
Less: reinsurance premiums ceded	(321)	(839)	(2,555)	(3,880)	(3,673)	(40)	(3,193)	(802)	(15,303)
Net premiums written	3,450	46,398	88	5,742	1,525	698	40,012	2,410	100,323
Changes in unearned premiums, net	1,956	115,133	5,370	(1,505)	4,508	35	39,449	1,059	166,005
Net premiums earned	5,406	161,531	5,458	4,237	6,033	733	79,461	3,469	266,328
Reinsurance commissions	94	-	1,757	314	358	-	101	233	2,857
Total revenue	5,500	161,531	7,215	4,551	6,391	733	79,562	3,702	269,185
Gross claims paid and other expenses	375	142,187	2,997	3,336	466	74	68,770	1,448	219,653
Less: reinsurers' share of claims paid	(1)	(2)	(111)	(1,339)	(37)	-	(625)	(163)	(2,278)
Net claims paid	374	142,185	2,886	1,997	429	74	68,145	1,285	217,375
Changes in outstanding claims and reserves, net	1,086	(8,236)	5,289	602	2,720	70	(3,657)	2,327	201
Net claims incurred	1,460	133,949	8,175	2,599	3,149	144	64,488	3,612	217,576
Policy acquisition costs	848	9,779	2,087	314	1,138	29	3,854	806	18,855
General and administrative expenses	619	18,023	604	505	661	85	8,976	394	29,867
Total costs and expenses	2,927	161,751	10,866	3,418	4,948	258	77,318	4,812	266,298
Surplus from insurance operations									2,887
Commission income									4,464
Net surplus from insurance operations									7,351
Shareholders' appropriation of surplus from insurance operations									(6,616)
Net result from insurance operations' after appropriation of surplus									735

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**14. Segmental information (continued)**

**Operating segments**

**For the year ended 31 December 2017 (Unaudited)**

	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
Gross premiums written	26,693	1,022,646	71,314	51,200	34,713	5,642	265,866	1,478,074	21,403	1,499,477
Less: reinsurance premiums ceded	(1,806)	(106,913)	(45,873)	(28,751)	(12,878)	(187)	757	(195,651)	(3,952)	(199,603)
Net premiums written	24,887	915,733	25,441	22,449	21,835	5,455	266,623	1,282,423	17,451	1,299,874
Changes in unearned premiums, net	(2,835)	(79,502)	(3,865)	570	(79)	(3)	24,605	(61,109)	(645)	(61,754)
Net premiums earned	22,052	836,231	21,576	23,019	21,756	5,452	291,228	1,221,314	16,806	1,238,120
Reinsurance commissions	273	9,879	6,747	7,398	1,530	-	25	25,852	212	26,064
Total revenue	22,325	846,110	28,323	30,417	23,286	5,452	291,253	1,247,166	17,018	1,264,184
Gross claims paid and other expenses	1,122	622,672	16,859	16,621	3,603	98	238,781	899,756	12,236	911,992
Less: reinsurers' share of claims paid	(117)	(54,125)	(3,018)	(10,492)	(726)	-	(1,178)	(69,656)	(2,802)	(72,458)
Net claims paid	1,005	568,547	13,841	6,129	2,877	98	237,603	830,100	9,434	839,534
Changes in outstanding claims and reserves, net	6,052	122,922	4,123	11,968	13,019	369	(4,539)	153,914	498	154,412
Net claims incurred	7,057	691,469	17,964	18,097	15,896	467	233,064	984,014	9,932	993,946
Policy acquisition costs	3,191	61,237	8,646	4,011	3,930	163	20,012	101,190	3,049	104,239
Operating and administrative salaries	2,382	90,311	2,330	2,486	2,350	589	31,452	131,900	1,813	133,713
Total costs and expenses	12,630	843,017	28,940	24,594	22,176	1,219	284,528	1,217,104	14,794	1,231,898
Surplus from insurance operations										32,286
Commission income										23,018
Net surplus from insurance operations										55,304
Shareholders' appropriation of surplus from insurance operations										(49,774)
Net result from insurance operations' after appropriation of surplus										5,530

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**14. Segmental information (continued)**

**Operating segments**

**For the year ended 31 December 2016 (Audited)**

	Accident and liability	General and medical						Protection	Grand Total
		Motor	Property	Marine	Engineering	Other general insurance	Health		
Gross premiums written	26,841	646,556	59,894	45,549	30,927	4,157	319,719	20,331	1,153,974
Less: reinsurance premiums ceded	(1,932)	(3,358)	(44,139)	(19,613)	(13,755)	(267)	(4,986)	(5,782)	(93,832)
Net premiums written	24,909	643,198	15,755	25,936	17,172	3,890	314,733	14,549	1,060,142
Changes in unearned premiums, net	481	(34,455)	3,294	(105)	2,005	(92)	17,857	(128)	(11,143)
Net premiums earned	25,390	608,743	19,049	25,831	19,177	3,798	332,590	14,421	1,048,999
Reinsurance commissions	358	8	7,302	4,954	1,256	-	131	872	14,881
Total revenue	25,748	608,751	26,351	30,785	20,433	3,798	332,721	15,293	1,063,880
Gross claims paid and other expenses	3,373	467,676	38,614	8,230	734	384	270,596	12,362	801,969
Less: reinsurers' share of claims paid	(3)	(2)	(28,194)	(3,086)	(37)	-	(2,555)	(2,801)	(36,678)
Net claims paid	3,370	467,674	10,420	5,144	697	384	268,041	9,561	765,291
Changes in outstanding claims and reserves, net	4,385	41,774	15,349	11,270	12,499	143	7,855	2,649	95,924
Net claims incurred	7,755	509,448	25,769	16,414	13,196	527	275,896	12,210	861,215
Policy acquisition costs	2,967	34,408	8,132	3,314	3,274	225	17,784	2,274	72,378
General and administrative expenses	2,600	62,330	1,950	2,645	1,963	389	34,054	1,477	107,408
Total costs and expenses	13,322	606,186	35,851	22,373	18,433	1,141	327,734	15,961	1,041,001
Surplus from insurance operations									22,879
Commission income									16,551
Net surplus from insurance operations									39,430
Shareholders' appropriation of surplus from insurance operations									(35,487)
Net result from insurance operations' after appropriation of surplus									3,943



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**14. Segmental information (continued)**

**Insurance operation's financial position as at 31 December 2017 (Unaudited)**

	General and medical							Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	
								Total
<b>Insurance operations' assets</b>								
Reinsurers' share of unearned premiums	217	2	13,300	2,332	4,339	-	196	20,386
Reinsurers' share of outstanding claims and reserves	274	32,576	32,973	78,428	9,081	-	289	153,621
Deferred policy acquisition costs	1,184	17,890	3,213	322	1,199	14	3,236	27,058
Segment assets	1,675	50,468	49,486	81,082	14,619	14	3,721	201,065
Unallocated assets								3,906
Total insurance operations' assets								204,971
								1,227,291
								1,432,262
<b>Insurance operations' liabilities and accumulated surplus</b>								
Gross unearned premiums	13,759	178,370	24,612	4,899	16,408	599	99,594	338,241
Gross outstanding claims and reserves	27,101	345,650	83,921	127,855	59,037	609	99,339	743,512
Unearned reinsurance commission income	32	-	2,870	573	675	-	-	4,150
Segment liabilities	40,892	524,020	111,403	133,327	76,120	1,208	198,933	1,085,903
Unallocated liabilities								24,413
Total insurance operations' liabilities and accumulated surplus								321,946
								1,432,262

**AXA COOPERATIVE INSURANCE COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH AND YEAR ENDED 31 DECEMBER 2017**

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

**14. Segmental information (continued)**

**Insurance operation's financial position as at 31 December 2016 (Audited)**

	General and medical							Grand Total
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	
								Total
<b>Insurance operations' assets</b>								
Reinsurers' share of unearned premiums	304	7	13,514	2,480	9,532	-	2,209	28,046
Reinsurers' share of outstanding claims and reserves	338	4	30,351	65,819	8,138	-	615	105,265
Deferred policy acquisition costs	1,181	9,045	2,892	203	1,240	26	3,754	18,341
Segment assets	1,823	9,056	46,757	68,502	18,910	26	6,578	151,652
Unallocated assets								1,872
Total insurance operations' assets								153,524
								885,228
								1,038,752
<b>Insurance operations' liabilities and accumulated surplus</b>								
Gross unearned premiums	11,011	98,873	20,961	5,616	21,523	597	126,212	284,793
Gross outstanding claims and reserves	21,114	188,592	77,176	103,277	46,639	237	104,206	541,241
Unearned reinsurance commission income	44	'	2,857	746	1,514	-	199	5,360
Segment liabilities	32,169	287,465	100,994	109,639	69,676	834	230,617	831,394
Unallocated liabilities								21,477
Total insurance operations' liabilities and accumulated surplus								852,871
								185,881
								1,038,752

**AXA COOPERATIVE INSURANCE COMPANY**  
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(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

**15. Basic and diluted earnings per share**

Basic and diluted earnings per share for three-month period and year ended 31 December 2017 and 2016 have been computed by dividing the shareholders' net income for the periods by the weighted average number of ordinary shares outstanding during such periods.

**16. 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 Company's financial assets consist of cash and cash equivalents, deposits, premiums and insurance balances receivable, due from related parties, reinsurer's share of outstanding claims, available-for-sale investments, prepayments and other receivable, held-to-maturity investments and its financial liabilities consist of reinsurance balances payable, gross outstanding claims, accrued expenses and other liabilities, zakat and income tax payable, due to a related party and employee benefit obligations.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar 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 assets at their fair values as at 31 December 2017 and 31 December 2016 based on the fair value hierarchy:

<b>31 December 2017 (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Insurance operations</b>				
Available-for-sale investments	239,927	-	-	239,927
<b>Shareholders' operations</b>				
Available-for-sale investments	155,862	-	-	155,862
<b>Total investments</b>	<b>395,789</b>	<b>-</b>	<b>-</b>	<b>395,789</b>
<b>31 December 2016 (Audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Insurance operations</b>				
Available-for-sale investments	134,810	-	-	134,810
<b>Shareholders' operations</b>				
Available-for-sale investments	160,466	-	-	160,466
<b>Total investments</b>	<b>295,276</b>	<b>-</b>	<b>-</b>	<b>295,276</b>

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 year ended 31 December 2017, there were no changes in the valuation techniques from the previous periods.

**17. Approval of the condensed interim financial information**

This condensed interim financial information has been approved by the Board of Directors on 12 February 2018.