
**THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE
AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2013**

**The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)**

Unaudited Interim Condensed Financial Statements and Independent Auditors' Review Report
For the three month period ended 31 March 2013

| INDEX | PAGE |
|---|-------------|
| Independent Auditors' Review Report | 1 |
| Statement of Financial Position | 2 – 3 |
| Interim Statement of Insurance Operations and Accumulated Surplus | 4 |
| Interim Statement of Shareholders' Operations | 5 |
| Interim Statement of Shareholders' Comprehensive operations | 6 |
| Interim Statement of Changes in Shareholders' Equity | 7 |
| Interim Statement of Insurance Operations' Cash Flows | 8 |
| Interim Statement of Shareholders' Cash Flows | 9 |
| Notes to the Interim Condensed Financial Statements | 10 – 18 |



KPMG Al Fozan & Al Sadhan



REVIEW REPORT

TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE
INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF REVIEW

We have reviewed the accompanying interim statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2013, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three months period then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three months period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 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 generally accepted auditing standards, 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.

KPMG Al Fozan & Al Sadhan
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
Certified Public Accountant
Licence No. 371



PricewaterhouseCoopers
P. O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Khalid A. Mahdhar
Certified Public Accountant
Licence No. 368



10 Jumada II 1434H
20 April 2013

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

(Amounts in SR)

| | | 31 March 2013 (Unaudited) | 31 December 2012 (Audited) |
|--|-------|---------------------------------|----------------------------------|
| | Notes | | |
| INSURANCE OPERATIONS' ASSETS | | | |
| Cash and cash equivalents | 5 | 323,733,745 | 282,656,404 |
| Time deposits | 6 | 138,799,209 | 138,003,620 |
| Premiums and reinsurance balances receivable | 7 | 1,299,379,055 | 1,295,634,353 |
| Investments | 8a | 110,581,189 | 110,373,947 |
| Due from related parties | 11a | 17,038,694 | 2,881,547 |
| Reinsurers' share of outstanding claims | | 634,112,184 | 597,359,495 |
| Reinsurers' share of unearned premiums | | 623,623,258 | 634,044,489 |
| Deferred policy acquisition costs | | 52,606,103 | 35,018,105 |
| Prepayments and other assets | | 165,646,289 | 61,029,981 |
| Property and equipment, net | | 31,103,978 | 32,224,503 |
| TOTAL INSURANCE OPERATIONS' ASSETS | | 3,396,623,704 | 3,189,226,444 |
| SHAREHOLDERS' ASSETS | | | |
| Cash and cash equivalents | 5 | 290,330,867 | 286,624,155 |
| Time deposits | 6 | 66,270,813 | 65,854,648 |
| Due from insurance operations | | 89,694,474 | 76,369,767 |
| Investments | 8b | 197,741,808 | 196,858,681 |
| Prepayments and other assets | | 2,822,636 | 2,473,583 |
| Investment in an associate | 9 | 12,000,000 | 14,000,000 |
| Land | | 30,000,000 | 30,000,000 |
| Statutory deposit | 10 | 80,000,000 | 80,000,000 |
| Goodwill | | 480,000,000 | 480,000,000 |
| TOTAL SHAREHOLDERS' ASSETS | | 1,248,860,598 | 1,232,180,834 |
| TOTAL ASSETS | | 4,645,484,302 | 4,421,407,278 |

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 March 2013

(Amounts in SR)

| | Notes | 31 March 2013 (Unaudited) | 31 December 2012 (Audited) |
|---|-------|---------------------------------|----------------------------------|
| INSURANCE OPERATIONS' LIABILITIES AND SURPLUS | | | |
| Gross outstanding claims | | 986,012,344 | 977,706,485 |
| Due to shareholders' operations | | 89,694,474 | 76,369,767 |
| Accounts and commission payable | | 63,731,045 | 46,929,555 |
| Accrued expenses and other liabilities | | 79,364,694 | 63,818,326 |
| Reinsurance balances payable | | 192,290,494 | 162,134,362 |
| Surplus distribution payable | | 88,895,638 | 85,595,806 |
| Unearned reinsurance commission | | 48,157,717 | 49,901,488 |
| Gross unearned premiums | | 1,840,267,428 | 1,718,652,217 |
| Other reserves | | 7,055,807 | 7,000,000 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES | | 3,395,469,641 | 3,188,108,006 |
| INSURANCE OPERATIONS' SURPLUS | | | |
| Cumulative change in fair values of available for sale investments | 8a | 1,154,063 | 1,118,438 |
| TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS | | 3,396,623,704 | 3,189,226,444 |
| SHAREHOLDERS' LIABILITIES AND EQUITY | | | |
| SHAREHOLDERS' LIABILITIES | | | |
| Accrued expenses and other liabilities | | 643,531 | 225,000 |
| Provision for zakat and income tax | | 37,167,056 | 45,800,704 |
| TOTAL SHAREHOLDERS' LIABILITIES | | 37,810,587 | 46,025,704 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 14 | 800,000,000 | 800,000,000 |
| Statutory reserve | | 139,374,369 | 139,374,369 |
| Retained earnings | | 261,498,965 | 237,497,478 |
| Cumulative change in fair values of available for sale investments | 8b | 10,176,677 | 9,283,283 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,211,050,011 | 1,186,155,130 |
| TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY | | 1,248,860,598 | 1,232,180,834 |
| TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS, AND SHAREHOLDERS' EQUITY | | 4,645,484,302 | 4,421,407,278 |

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(Amounts in SR)

| | <i>31 March 2013 (Unaudited)</i> | <i>31 March 2012 (Unaudited)</i> |
|--|--|--|
| <i>Note</i> | | |
| Gross premiums written | 911,138,259 | 870,662,176 |
| Less: Reinsurance premiums ceded | (197,509,268) | (197,902,214) |
| Excess of loss premiums | (9,832,539) | (19,348,926) |
| NET PREMIUMS WRITTEN | 703,796,452 | 653,411,036 |
| Change in unearned premiums, net | (132,036,442) | (175,735,078) |
| Change in other reserves | (55,807) | (500,000) |
| NET PREMIUMS EARNED | 571,704,203 | 477,175,958 |
| Gross claims paid and other expenses | (671,136,549) | (497,733,212) |
| Reinsurers' share of gross claims paid | 153,860,649 | 93,001,243 |
| Change in outstanding claims, net | 28,446,830 | 27,514,145 |
| NET CLAIMS INCURRED | (488,829,070) | (377,217,824) |
| Policy acquisition costs | (29,809,674) | (24,596,425) |
| Reinsurance commission income | 28,300,514 | 24,471,051 |
| NET UNDERWRITING RESULT | 81,365,973 | 99,832,760 |
| General and administrative expenses | (60,318,019) | (56,604,642) |
| Special commission income | 1,850,537 | 1,297,289 |
| Other income | 10,099,835 | 7,349,170 |
| INSURANCE OPERATIONS' SURPLUS | 32,998,326 | 51,874,577 |
| Shareholders' appropriation from insurance operations' surplus | 2 (29,698,494) | (46,687,119) |
| ACCUMULATED SURPLUS AT THE END OF THE PERIOD | 3,299,832 | 5,187,458 |

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

(Amounts in SR)

| | <i>Note</i> | 31 March 2013 (Unaudited) | 31 March 2012 (Unaudited) |
|--|-------------|--|--|
| INCOME | | | |
| Shareholders' appropriation from insurance operations' surplus | | 29,698,494 | 46,687,119 |
| Special commission income | | 3,667,170 | 3,616,707 |
| Realised gains on sale of available for sale investments | | - | 213,254 |
| Dividend income on available for sale investments | | 102,903 | 107,384 |
| | | 33,468,567 | 50,624,464 |
| EXPENSES | | | |
| General and administrative | | (2,784,726) | (1,020,350) |
| NET INCOME FOR THE PERIOD | | 30,683,841 | 49,604,114 |
| BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD | | | |
| | 13 | 0.384 | 0.620 |

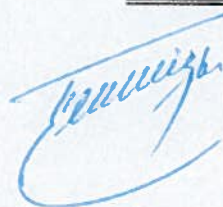
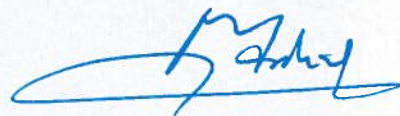



The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
(Amounts in SR)

| | <i>31 March 2013 (Unaudited)</i> | <i>31 March 2012 (Unaudited)</i> |
|---|--|--|
| NET INCOME FOR THE PERIOD | 30,683,841 | 49,604,114 |
| OTHER COMPREHENSIVE (LOSS) : | | |
| Zakat and income tax | (6,682,354) | (7,839,170) |
| Change in fair values of available for sale investments | 893,394 | 3,873,052 |
| Other comprehensive loss for the period | (5,788,960) | (3,966,118) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 24,894,881 | 45,637,996 |

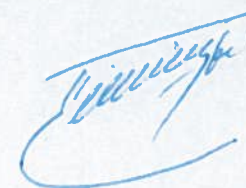
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three month period ended 31 March 2013

(Amounts in SR)

| | <i>Share capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Cumulative change in fair values of available for sale investments</i> | <i>Total</i> |
|--|--------------------------|------------------------------|--------------------------|---|----------------------|
| Balance at 1 January 2013 | <u>800,000,000</u> | <u>139,374,369</u> | <u>237,497,478</u> | <u>9,283,283</u> | <u>1,186,155,130</u> |
| Net income for the period | - | - | 30,683,841 | - | 30,683,841 |
| Other comprehensive (loss) / income for the period | - | - | (6,682,354) | 893,394 | (5,788,960) |
| Total comprehensive income for the period | - | - | 24,001,487 | 893,394 | 24,894,881 |
| Balance at 31 March 2013 (Unaudited) | <u>800,000,000</u> | <u>139,374,369</u> | <u>261,498,965</u> | <u>10,176,677</u> | <u>1,211,050,011</u> |
| Balance at 1 January 2012 | <u>800,000,000</u> | <u>105,334,781</u> | <u>261,339,125</u> | <u>6,831,214</u> | <u>1,173,505,120</u> |
| Net income for the period | - | - | 49,604,114 | - | 49,604,114 |
| Other comprehensive (loss) / income for the period | - | - | (7,839,170) | 3,873,052 | (3,966,118) |
| Total comprehensive income for the period | - | - | 41,764,944 | 3,873,052 | 45,637,996 |
| Dividends paid | - | - | (160,000,000) | - | (160,000,000) |
| Balance at 31 March 2012 (unaudited) | <u>800,000,000</u> | <u>105,334,781</u> | <u>143,104,069</u> | <u>10,704,266</u> | <u>1,059,143,116</u> |

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)**

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three month period ended 31 March 2013

(Amounts in SR)

| | <i>Note</i> | 31 March 2013 (Unaudited) | 31 March 2012 (Unaudited) |
|---|-------------|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Insurance operations' surplus after shareholders' appropriation | | 3,299,832 | 5,187,458 |
| <i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash used in operating activities:</i> | | | |
| Depreciation | | 2,029,869 | 2,931,108 |
| Provision for doubtful debts | | - | 1,500,000 |
| Commission income on available for sale investment | | (171,617) | - |
| Special commission income | | (1,678,920) | (431,502) |
| Gain on sale of property and equipment, net | | (272,433) | (78,000) |
| <i>Cash from operations</i> | | <u>3,206,731</u> | <u>9,109,064</u> |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Premiums and reinsurance balances receivable | | (3,744,702) | (230,235,011) |
| Reinsurers' share of outstanding claims | | (36,752,689) | (51,055,229) |
| Due (to) / from related parties | | (14,157,147) | 3,627,930 |
| Due from / (to) shareholders' operations, net | | 13,324,707 | (109,196,927) |
| Gross outstanding claims | | 8,305,859 | 23,541,084 |
| Accounts and commissions payable | | 16,801,490 | (15,520,999) |
| Accrued expenses and other liabilities | | 15,546,368 | 2,502,271 |
| Gross unearned premiums | | 121,615,211 | 172,704,578 |
| Deferred policy acquisition costs | | (17,587,998) | (9,438,656) |
| Reinsurers' share of unearned premiums | | 10,421,231 | 3,030,500 |
| Unearned reinsurance commission | | (1,743,771) | (2,537,217) |
| Prepayments and other assets | | (104,616,308) | (65,246,761) |
| Reinsurance balances payable | | 30,156,132 | (12,729,187) |
| Other reserves | | 55,807 | 500,000 |
| Net cash from / (used in) operating activities | | <u>40,830,921</u> | <u>(280,944,560)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Time deposits | | (795,589) | (337,250) |
| Special commission income | | 1,678,920 | 431,502 |
| Proceeds from sale of property and equipment | | 391,715 | 78,000 |
| Proceeds from sale of available for sale investments | | - | 27,848,977 |
| Purchase of property and equipment | | (1,028,626) | (4,577,974) |
| Net cash from investing activities | | <u>246,420</u> | <u>23,443,255</u> |
| INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS | | <u>41,077,341</u> | <u>(257,501,305)</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | <u>282,656,404</u> | <u>422,889,063</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 5 | <u><u>323,733,745</u></u> | <u><u>165,387,758</u></u> |
| <u>Non-cash transaction:</u> | | | |
| Change in fair values of available for sale investments | | <u><u>35,625</u></u> | <u><u>468,375</u></u> |

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three month period ended 31 March 2013

(Amounts in SR)

| | 31 March 2013 (Unaudited) | 31 March 2012 (Unaudited) |
|---|---------------------------------|---------------------------------|
| Note | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the period | 30,683,841 | 49,604,114 |
| <i>Adjustments for:</i> | | |
| Special commission income | (3,667,170) | (3,616,707) |
| Dividend income on available for sale investments | (102,903) | (107,384) |
| Realised gains on sale of available for sale investments | - | (213,254) |
| Impairment in investment in an associate | 2,000,000 | |
| Cash from operations | 28,913,768 | 45,666,769 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Due (to) / from insurance operations, net | (13,324,707) | 109,196,927 |
| Accrued expenses and other liabilities | 418,531 | 434,001 |
| Zakat and income tax paid | (15,316,002) | - |
| Prepayments and other assets | (349,053) | (262,540) |
| Net cash from operating activities | 342,537 | 155,035,157 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Time deposits, net | (416,165) | (405,221) |
| Purchase of available for sale investments | - | (3,000,000) |
| Proceeds from sale of available for sale investments | 10,267 | 509,272 |
| Special commission income | 3,667,170 | 3,616,707 |
| Dividend income on available for sale investments | 102,903 | 107,384 |
| Net cash from investing activities | 3,364,175 | 828,142 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 3,706,712 | 155,863,299 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 286,624,155 | 256,817,745 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 290,330,867 | 412,681,044 |
| | 5 | |
| <i>Non-cash transactions:</i> | | |
| Change in fair values of available for sale investments | 893,394 | 3,873,052 |
| Investment transferred from insurance operation | 12,000,000 | - |

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2013

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Al-Thani 1428H (corresponding to 26 April 2007). The registered office address of the Company is P.O.Box: 2302, Riyadh 11451, Kingdom of Saudi Arabia. The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

2. BASIS OF PREPARATION

Basis of measurement

The interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available for sale investments and investment in an associate which is accounted for under the equity method.

Statement of compliance

The accompanying interim condensed financial statements for the three month period ended 31 March 2013 are prepared in accordance with IAS 34 – Interim Financial Reporting.

The accompanying interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

The insurance operations' surplus of the Company for the three month period ended 31 March 2013 amounted to SR 32,998,326 (31 March 2012: SR. 51,874,577). Accordingly, 90% of insurance operation surplus amounting to SR 29,698,494 (31 March 2012: SR. 46,687,119) has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 3,299,832 as at 31 March 2013 (31 March 2012: SR 5,187,458).

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The interim results may not be indicative of the Company's annual results.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These unaudited interim condensed financial statements have been presented in Saudi Arabian Riyal (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

Significant accounting policies

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012. In addition, accounting policies applicable to significant transactions and account balances arising during the period are set out below:

New standards, amendments to standards and interpretations

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2012 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed financial statements of the Company. The management is currently assessing the implication of the following standards and amendments and the timing of adoption:

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (Continued)

- IFRS 7 - Offsetting Financial Assets and Financial Liabilities, effective from annual period beginning on or after 1 January 2015;
- IAS 32 Amendments - Tax effect of distribution to holder of equity instrument, effective from annual period beginning on or after 1 January 2014;
- IAS 34 Interim Financial Reporting - Interim financial reporting and segment information, effective from annual period beginning on or after 1 January 2013;
- IAS 1 Amendments - Presentation of financial statements, effective from annual period beginning on or after 1 January 2013.

In addition to the above, the Company has chosen not to early adopt IFRS 9 - Financial instruments, which has been published and may also be early adopted, but will not be effective until 1 January 2015.

During the quarter the Company has adopted IFRS 13 "Fair value measurement" which is applicable to annual reporting periods beginning on or after 1 January 2013. Disclosures have been given in these financial statements (Note 8).

These and other amendments resulting from improvements to the IFRSs did not have any material impact on the accounting policies, financial position and performance of the Company.

5. CASH AND CASH EQUIVALENTS

| | 31 March 2013 (Unaudited) | | 31 December 2012 (Audited) | |
|---------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------------------------|
| | Insurance operations SR | Shareholders' operations SR | Insurance operations SR | Shareholders' operations SR |
| Cash on hand and at banks | 301,008,745 | 16,074,617 | 260,156,404 | 13,229,654 |
| Short term time deposits | 22,725,000 | 274,256,250 | 22,500,000 | 273,394,501 |
| | <u>323,733,745</u> | <u>290,330,867</u> | <u>282,656,404</u> | <u>286,624,155</u> |

Cash at banks and short term time deposits are placed with counterparties who have credit ratings equivalent to A- to B ratings under Standard and Poor's and Moody's ratings methodology.

Short term time deposits are placed with local and international banks with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 3.78% per annum (31 December 2012: 3.81% per annum).

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

6. TIME DEPOSITS

Time deposits are placed with counterparties that have credit ratings equivalent to A+ to A- ratings under Standard and Poor's and Moody's ratings methodology.

Time deposits are placed with local and international banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1.1% per annum (31 December 2012: 1.3% per annum).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

7. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

| | 31 March 2013 (Unaudited) SR | 31 December 2012 (Audited) SR |
|------------------------------------|------------------------------------|-------------------------------------|
| Premiums receivable | 1,199,739,656 | 1,251,801,501 |
| Less: Provision for doubtful debts | (139,082,964) | (135,246,450) |
| | <u>1,060,656,692</u> | <u>1,116,555,051</u> |
| Reinsurance balances receivable | 241,140,931 | 185,334,384 |
| Less: Provision for doubtful debts | (2,418,568) | (6,255,082) |
| | <u>238,722,363</u> | <u>179,079,302</u> |
| | <u>1,299,379,055</u> | <u>1,295,634,353</u> |

8. INVESTMENTS

Investments are classified as set out below:

(a) Insurance operations – Available for sale investments

| | 31 March 2013 (Unaudited) SR | 31 December 2012 (Audited) SR |
|---|------------------------------------|-------------------------------------|
| Mutual funds | 71,937,439 | 71,765,822 |
| Bonds | 38,643,750 | 38,608,125 |
| Total available for sale investments | <u>110,581,189</u> | <u>110,373,947</u> |

The movements during the year in available for sale investments for insurance's operations were as follows:

| | 31 March 2013 (Unaudited) SR | 31 December 2012 (Audited) SR |
|---------------------------------------|------------------------------------|-------------------------------------|
| At the beginning of the period / year | 110,373,947 | 146,944,179 |
| Purchased during the period / year | - | - |
| Reinvested commission income | 171,617 | - |
| Sold during the period / year | - | (37,413,982) |
| | <u>110,545,564</u> | <u>109,530,197</u> |
| Net change in fair values | 35,625 | 843,750 |
| At the end of the period / year | <u>110,581,189</u> | <u>110,373,947</u> |

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 1,154,063 (31 December 2012: SR 1,118,438) is presented within insurance operations' surplus' in the interim statement of financial position.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

8. INVESTMENTS (Continued)

(b) Shareholders' operations – Available for sale investments

| | 31 March 2013 (Unaudited) SR | 31 December 2012 (Audited) SR |
|---|------------------------------------|-------------------------------------|
| Mutual funds | 79,516,663 | 77,564,731 |
| Bonds | 35,115,975 | 35,473,575 |
| Sukuks | 64,359,170 | 65,070,375 |
| Equities | 18,750,000 | 18,750,000 |
| Total available for sale investments | 197,741,808 | 196,858,681 |

The movements during the year in available for sale investments for shareholders' operations were as follows:

| | 31 March 2013 (Unaudited) SR | 31 December 2012 (Audited) SR |
|---------------------------------------|------------------------------------|-------------------------------------|
| At the beginning of the period / year | 196,858,681 | 191,233,208 |
| Purchased during the period / year | - | 28,500,000 |
| Sold during the period / year | (10,267) | (25,326,596) |
| | 196,848,414 | 194,406,612 |
| Net change in fair values | 893,394 | 2,452,069 |
| At the end of the period / year | 197,741,808 | 196,858,681 |

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 10,176,677 (31 December 2012: SR 9,283,283) is presented within shareholders' equity in the interim statement of financial position.

(c) Insurance and Shareholders' Operations - Available for sale investments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between the carrying values and fair value estimates.

The fair values of recognised financial instruments, except for other investments held at amortised cost and held-to-maturity investments are not significantly different from the carrying values included in the interim condensed financial statements. The estimated fair values of held-to-maturity investments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

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 same instrument (i.e. without modification or repacking).
- 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.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

8. INVESTMENTS (Continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy cumulatively for insurance and shareholders operations:

| 31 March 2013 | | | | |
|---|--------------------|-------------------|---------------|--------------------|
| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
| <i>Available for sale investments</i> | | | | |
| Mutual funds | 144,374,102 | 7,080,000 | - | 151,454,102 |
| Bonds | 73,759,725 | - | - | 73,759,725 |
| Sukuk | 43,359,170 | 21,000,000 | - | 64,359,170 |
| Equities | - | 18,750,000 | - | 18,750,000 |
| <i>Total available for sale investments</i> | <u>261,492,997</u> | <u>46,830,000</u> | <u>-</u> | <u>308,322,997</u> |
| 31 December 2012 | | | | |
| | Level 1 SR | Level 2 SR | Level 3 SR | Total SR |
| <i>Available for sale investments</i> | | | | |
| Mutual funds | 141,928,053 | 7,402,500 | - | 149,330,553 |
| Bonds | 74,081,700 | - | - | 74,081,700 |
| Sukuk | 44,070,375 | 21,000,000 | - | 65,070,375 |
| Equities | - | 18,750,000 | - | 18,750,000 |
| <i>Total available for sale investments</i> | <u>260,080,128</u> | <u>47,152,500</u> | <u>-</u> | <u>307,232,628</u> |

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 12,000,000 (a 25% equity interest) (2012: SR 14,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia. During the first quarter in 2013 the Company has impaired the investment by SR 2,000,000 due to the losses made by associate.

10. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA").

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) The following are the details of major related party transactions during the year and their balances at the end of the year:

| Nature of transactions | Amounts of transactions for the three month period ended | | Balance as at | |
|---|---|-------------------|-------------------|---------------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 December 2012 |
| | (Unaudited) SR | (Unaudited) SR | (Unaudited) SR | (Audited) SR |
| Due from a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders) | 1,139,465 | 6,167,856 | 22,105,678 | 20,966,214 |
| Expenses paid on behalf of other affiliated companies, net | 13,017,683 | (9,795,786) | (5,066,984) | (18,084,667) |
| TOTAL | | | 17,038,694 | 2,881,547 |
| Current accounts and time deposits – (The Saudi Investment Bank, Founding shareholders) | - | 62,983 | 86,656,812 | 86,656,812 |
| Commission income on time deposits – (The Saudi Investment Bank, Founding shareholders) | 210,670 | 168,888 | 393,250 | 182,580 |
| Gross premiums written | 22,258,606 | 19,959,440 | 25,315,105 | 6,786,050 |
| Claims incurred | (6,457,359) | 4,881,210 | (1,031,143) | 899,280 |
| Premiums ceded | 17,534,799 | 28,262,010 | 33,207,098 | 50,741,897 |
| Brokerage commission | 165,389 | (11,355,051) | 1,387,924 | 1,553,313 |

Key management personnel's remuneration

(b) The remuneration of the Board of Directors and other key management personnel during the period is as follows:

| | For the three month period ended | |
|-------------------------|--------------------------------------|--------------------------------------|
| | 31 March 2013 (Unaudited) (SR) | 31 March 2012 (Unaudited) (SR) |
| Short term benefits | 4,128,495 | 4,237,731 |
| End of service benefits | 81,980 | 85,238 |
| | 4,210,475 | 4,322,969 |

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

12. SEGMENTAL INFORMATION

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 set out below.

Segment results do not include allocation of general and administrative expenses, special commission income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, investments, premiums and reinsurance balances receivable, prepayments and other assets, due from related parties, and property and equipment, net, to the operating segments.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, surplus distribution payable and other reserves to operating segments.

Shareholders' operations is a non-operating segment. Certain direct operating expenses, other overhead expenses and surplus from the insurance operations are allocated to this segment on an appropriate basis as approved by management.

Operating segments

*For the three month period ended
March 2013 (Unaudited)*

| | <i>Medical SR</i> | <i>Motor SR</i> | <i>Others SR</i> | <i>Total SR</i> |
|--|-----------------------|---------------------|----------------------|---------------------|
| <i>Insurance operations</i> | | | | |
| Gross premiums written | 619,093,695 | 148,101,553 | 143,943,011 | 911,138,259 |
| Net premiums written | 519,193,138 | 140,969,132 | 43,634,182 | 703,796,452 |
| Net premiums earned | 492,144,742 | 59,067,473 | 20,491,988 | 571,704,203 |
| Net claims incurred | (437,619,633) | (48,077,042) | (3,132,395) | (488,829,070) |
| Policy acquisition costs | (14,062,084) | (5,406,566) | (10,341,024) | (29,809,674) |
| Reinsurance commission income | 4,643,202 | 635,114 | 23,022,198 | 28,300,514 |
| Net underwriting result | 45,106,227 | 6,218,979 | 30,040,767 | 81,365,973 |
| General and administrative expenses | | | | (60,318,019) |
| Special commission income and other income | | | | 11,950,372 |
| Insurance operations' surplus | | | | 32,998,326 |

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

For the three month period ended March 2012 (Unaudited)

| | <i>Medical SR</i> | <i>Motor SR</i> | <i>Others SR</i> | <i>Total SR</i> |
|--|-----------------------|---------------------|----------------------|---------------------|
| Insurance operations | | | | |
| Gross premiums written | 639,434,649 | 96,316,707 | 134,910,820 | 870,662,176 |
| Net premiums written | 525,611,456 | 92,072,584 | 35,726,996 | 653,411,036 |
| Net premiums earned | 408,622,820 | 45,919,034 | 22,634,104 | 477,175,958 |
| Net claims incurred | (334,030,670) | (40,560,597) | (2,626,557) | (377,217,824) |
| Policy acquisition costs | (15,015,873) | (3,999,413) | (5,581,139) | (24,596,425) |
| Reinsurance commission income | 7,196,654 | 361,053 | 16,913,344 | 24,471,051 |
| Net underwriting result | 66,772,931 | 1,720,077 | 31,339,752 | 99,832,760 |
| General and administrative expenses | | | | (56,604,642) |
| Special commission income and other income | | | | 8,646,459 |
| Insurance operations' surplus | | | | 51,874,577 |
| As at 31 March 2013 (Unaudited) | Medical SR | Motor SR | Others SR | Total SR |
| Insurance operations' assets | | | | |
| Reinsurers' share of unearned premiums | 172,132,084 | 6,454,267 | 445,036,907 | 623,623,258 |
| Reinsurers' share of outstanding claims | 279,066,497 | 9,402,586 | 345,643,101 | 634,112,184 |
| Deferred policy acquisition costs | 23,070,383 | 9,609,698 | 19,926,022 | 52,606,103 |
| Unallocated assets | | | | 2,086,282,159 |
| | | | | 3,396,623,704 |
| Insurance operations' liabilities | | | | |
| Gross unearned premiums | 1,147,547,224 | 169,301,690 | 523,418,514 | 1,840,267,428 |
| Unearned reinsurance commission | 4,643,203 | 1,983,665 | 41,530,849 | 48,157,717 |
| Gross outstanding claims | 544,996,721 | 78,714,335 | 362,301,288 | 986,012,344 |
| Unallocated liabilities | | | | 522,186,215 |
| | | | | 3,396,623,704 |

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2013

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

| <i>As at 31 March 2012 (Unaudited)</i> | <i>Medical SR</i> | <i>Motor SR</i> | <i>Others SR</i> | <i>Total SR</i> |
|---|-----------------------|---------------------|----------------------|----------------------|
| <i>Insurance operations' assets</i> | | | | |
| Reinsurers' share of unearned premiums | 88,149,104 | 3,581,726 | 358,368,123 | 450,098,953 |
| Reinsurers' share of outstanding claims | 275,809,902 | 4,397,684 | 308,884,357 | 589,091,943 |
| Deferred policy acquisition costs | 16,773,121 | 7,558,616 | 15,194,872 | 39,526,609 |
| Unallocated assets | | | | 1,694,071,295 |
| | | | | <u>2,772,788,800</u> |
| <i>Insurance operations' liabilities</i> | | | | |
| Gross unearned premiums | 969,617,321 | 109,129,185 | 411,668,756 | 1,490,415,262 |
| Unearned reinsurance commission | 7,201 | 1,128,714 | 41,528,798 | 42,664,713 |
| Gross outstanding claims | 365,496,670 | 88,037,739 | 323,696,182 | 777,230,591 |
| Unallocated liabilities | | | | 462,478,234 |
| | | | | <u>2,772,788,800</u> |

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period was calculated by dividing the net income for the period by the weighted average number of shares issued and outstanding during the period amounting to 80 million shares.

14. SHARE CAPITAL

The authorized and paid up share capital of the Company is SR 800 million divided into 80 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 60 million shares (SR 600 million) with a nominal value of SR 10 each, which represent 75% of the shares of the Company and the remaining 20 million shares (SR 200 million) with a nominal value of SR 10 each which represent 25% of the shares of the Company, have been subscribed by the public.

The Board Of Directors in their meeting held on 24 March 2013 (corresponding to 12 Jumada Al Awwal 1434H) has proposed a bonus issue of one share for every four shares held (25% bonus per share) to those shareholders registered in the Company's register of shareholders as at the date of general assembly meeting. The Company has not yet convened a general assembly meeting. However, the Company has received an approval from SAMA for the bonus share issuance on 23 March 2013 (corresponding to 11 Jumada Al Awwal 1434H). As a result of bonus issue, the share capital of the Company would increase to SR 1 billion comprising of 100 million issued and paid up shares.

15. STATUTORY RESERVE

In accordance with its bylaws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 06 Jumada Al-Thaani 1434H (corresponding to 16 April 2013).