
**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 NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2012**

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 Nine Month Period Ended 30 September 2012

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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 30 September 2012, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three month and nine month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine month 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 A MATTER:

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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4 Dhul-Hijjah 1433H
20 October 2012

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

STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

(Amounts in SR)

		30 September 2012 (Unaudited)	31 December 2011 (Audited)
	Notes		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	154,646,146	422,889,063
Time deposits	5	138,003,620	136,547,434
Premiums and reinsurance balances receivable	6	1,525,315,157	877,175,280
Due from related parties	10	16,150,497	40,303,669
Due from shareholders operations		50,667,417	-
Reinsurers' share of outstanding claims		559,798,146	538,036,714
Investments	7a	110,127,044	146,944,179
Prepayments and other assets		48,070,894	18,318,919
Reinsurers' share of unearned premiums		517,644,650	453,129,453
Deferred policy acquisition costs		38,702,419	30,087,953
Property and equipment, net		34,362,548	37,153,446
TOTAL INSURANCE OPERATIONS' ASSETS		3,193,488,538	2,700,586,110
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	282,314,768	256,817,745
Time deposits	5	65,854,648	65,034,394
Due from insurance operations		-	101,913,673
Investment in an associate	8	14,000,000	14,000,000
Investments	7b	195,924,532	191,233,208
Prepayments and other assets		2,752,866	2,452,987
Land		30,000,000	30,000,000
Statutory deposit	9	80,000,000	80,000,000
Goodwill		480,000,000	480,000,000
TOTAL SHAREHOLDERS' ASSETS		1,150,846,814	1,221,452,007
TOTAL ASSETS		4,344,335,352	3,922,038,117



The accompanying notes 1 to 14 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 30 September 2012

(Amounts in SR)

	Notes	30 September 2012 (Unaudited)	31 December 2011 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		883,547,050	753,689,507
Accounts and commission payable		13,119,009	53,674,671
Reinsurance balances payable		378,832,426	272,591,787
Due to shareholders' operations		-	101,913,673
Accrued expenses and other liabilities		58,746,222	76,792,297
Surplus distribution payable		71,294,129	64,736,873
Unearned reinsurance commission		39,844,461	45,201,930
Gross unearned premiums		1,731,590,303	1,317,710,684
Other reserves		15,500,000	14,000,000
TOTAL INSURANCE OPERATIONS' LIABILITIES		3,192,473,600	2,700,311,422
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	7a	1,014,938	274,688
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		3,193,488,538	2,700,586,110
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		606,000	209,500
Provision for zakat and income tax		29,229,348	47,737,387
Due to insurance operations		50,667,417	-
TOTAL SHAREHOLDERS' LIABILITIES		80,502,765	47,946,887
SHAREHOLDERS' EQUITY			
Share capital		800,000,000	800,000,000
Statutory reserve		105,334,781	105,334,781
Retained earnings		156,171,792	261,339,125
Cumulative change in fair values of available for sale investments	7b	8,837,476	6,831,214
TOTAL SHAREHOLDERS' EQUITY		1,070,344,049	1,173,505,120
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,150,846,814	1,221,452,007
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS, AND SHAREHOLDERS' EQUITY		4,344,335,352	3,922,038,117

The accompanying notes 1 to 14 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

(UNAUDITED)

(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2012</i>	<i>30 September 2011</i>	<i>30 September 2012</i>	<i>30 September 2011</i>
Gross premiums written	852,084,924	828,954,596	2,456,611,879	2,324,217,466
Less: Reinsurance premiums ceded	(160,009,573)	(155,706,686)	(553,400,013)	(557,974,728)
Excess of loss premiums	(19,354,521)	(16,141,167)	(58,052,373)	(47,452,674)
NET PREMIUMS WRITTEN	672,720,830	657,106,743	1,845,159,493	1,718,790,064
Change in unearned premiums, net	(170,071,214)	(233,742,786)	(349,364,422)	(395,625,642)
Change in other reserves	(500,000)	-	(1,500,000)	(1,500,000)
NET PREMIUMS EARNED	502,149,616	423,363,957	1,494,295,071	1,321,664,422
Gross claims paid and other expenses	(464,996,945)	(458,082,949)	(1,449,485,198)	(1,358,037,645)
Reinsurers' share of gross claims paid	93,777,652	90,760,746	283,330,495	287,761,014
Movement in outstanding claims, net	(45,731,868)	39,714,088	(108,096,110)	80,369,213
NET CLAIMS INCURRED	(416,951,161)	(327,608,115)	(1,274,250,813)	(989,907,418)
Policy acquisition costs	(24,578,028)	(21,663,607)	(75,547,035)	(83,235,618)
Reinsurance commission income	19,573,393	26,474,114	63,267,249	76,650,163
NET UNDERWRITING RESULT	80,193,820	100,566,349	207,764,472	325,171,549
General and administrative expenses	(57,951,008)	(58,244,815)	(168,173,534)	(236,310,908)
Special commission income	1,532,022	3,835,435	4,275,700	4,395,623
Other income	6,890,391	13,898,318	21,705,919	28,117,039
INSURANCE OPERATIONS' SURPLUS	30,665,225	60,055,287	65,572,557	121,373,303
Shareholders' appropriation from insurance operations' surplus	(27,598,702)	(54,049,759)	(59,015,301)	(109,235,973)
ACCUMULATED SURPLUS AT THE END OF THE PERIOD	3,066,523	6,005,528	6,557,256	12,137,330

The accompanying notes 1 to 14 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

(UNAUDITED)

(Amounts in SR)

		<i>For the three month period ended</i>	<i>For the nine month period ended</i>		
	<i>Note</i>	<i>30 September 2012</i>	<i>30 September 2011</i>	<i>30 September 2012</i>	<i>30 September 2011</i>
INCOME					
Shareholders' appropriation from insurance operations' surplus		27,598,702	54,049,759	59,015,301	109,235,973
Special commission income		3,648,809	3,465,433	10,811,166	10,490,136
Realised gains / losses on sale of available for sale investments		(15,741)	(1,308)	204,316	211,340
Dividend income on available for sale investments		113,802	113,802	1,712,839	1,711,979
		31,345,572	57,627,686	71,743,622	121,649,428
EXPENSES					
General and administrative		(620,964)	(508,243)	(2,354,522)	(2,138,666)
NET INCOME FOR THE PERIOD		30,724,608	57,119,443	69,389,100	119,510,762
BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD					
	<i>12</i>	0.384	0.714	0.867	1.494




The accompanying notes 1 to 14 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
(UNAUDITED)
(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2012</i>	<i>30 September 2011</i>	<i>30 September 2012</i>	<i>30 September 2011</i>
NET INCOME FOR THE PERIOD	30,724,608	57,119,443	69,389,100	119,510,762
OTHER COMPREHENSIVE INCOME / (EXPENSES) :				
Zakat and income tax	(5,474,932)	(10,280,068)	(14,556,433)	(22,358,629)
Change in fair values of available for sale investments	1,323,497	(1,809,653)	2,006,262	(1,479,186)
Other comprehensive expense for the period	(4,151,435)	(12,089,721)	(12,550,171)	(23,837,815)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,573,173	45,029,722	56,838,929	95,672,947




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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the Nine Month Period Ended 30 September 2012

(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 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	-	-	69,389,100	-	69,389,100
Other comprehensive expenses for the period	-	-	(14,556,433)	2,006,262	(12,550,171)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	54,832,667	2,006,262	56,838,929
Dividends paid (note 13)	-	-	(160,000,000)	-	(160,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2012	<u>800,000,000</u>	<u>105,334,781</u>	<u>156,171,792</u>	<u>8,837,476</u>	<u>1,070,344,049</u>
 Balance at 1 January 2011	 <u>800,000,000</u>	 <u>63,972,748</u>	 <u>195,890,992</u>	 <u>8,749,430</u>	 <u>1,068,613,170</u>
Net income for the period	-	-	119,510,762	-	119,510,762
Other comprehensive expense for the period	-	-	(22,358,629)	(1,479,186)	(23,837,815)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	97,152,133	(1,479,186)	95,672,947
Dividends paid (note 13)	-	-	(100,000,000)	-	(100,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2011	<u>800,000,000</u>	<u>63,972,748</u>	<u>193,043,125</u>	<u>7,270,244</u>	<u>1,064,286,117</u>

The accompanying notes 1 to 14 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 Nine Month Period Ended 30 September 2012

(Amounts in SR)

	30 September 2012 (Unaudited)	30 September 2011 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	6,557,256	12,137,330
<i>Adjustments to reconcile insurance operation' surplus after shareholders' appropriation to net cash used in operating activities:</i>		
Depreciation	9,072,128	7,013,035
Provision for doubtful debts	3,500,000	48,500,000
Gain on sale of available for sale investment	(442,615)	-
Special commission income	(4,275,700)	(843,750)
Gain from sale of property and equipment, net	(99,571)	(57,537)
Reinsurers' share of unearned premiums	(64,515,197)	75,512,974
Deferred policy acquisition costs	(8,614,466)	(857,113)
Gross unearned premiums	413,879,619	320,112,668
Unearned reinsurance commission	(5,357,469)	(15,068,484)
<i>Cash from operations</i>	349,703,985	446,449,123
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurance balances receivable	(651,639,877)	(266,303,795)
Reinsurers' share of outstanding claims	(21,761,432)	(148,807,814)
Prepayments and other assets	(29,751,975)	(36,067,994)
Due from related parties	24,153,172	208,897,136
Due to / from shareholders' operations, net	(152,581,090)	(268,521,716)
Accounts and commissions payable	(40,555,662)	(60,817,661)
Reinsurance balances payable	106,240,639	126,697,424
Accrued expenses and other liabilities	(18,046,075)	(7,084,839)
Gross outstanding claims	129,857,543	68,438,601
Other reserves	1,500,000	1,500,000
Net cash (used in) / from operating activities	(302,880,772)	64,378,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of available for sale investments	38,000,000	-
Purchase of available for sale investments	-	(109,056,775)
Purchase of property and equipment	(6,285,859)	(10,331,288)
Proceeds from sale of property and equipment	104,200	695,771
Time deposits, net	(1,456,186)	(136,698,574)
Special commission income	4,275,700	843,750
Net cash from / (used in) investing activities	34,637,855	(254,547,116)
DECREASE IN CASH AND CASH EQUIVALENTS	(268,242,917)	(190,168,651)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	422,889,063	433,332,901
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	154,646,146	243,164,250
<i>Non-cash transaction:</i>		
Change in fair values of available for sale investments	740,250	1,084,988

The accompanying notes 1 to 14 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 Nine Month Period Ended 30 September 2012

(Amounts in SR)

	<i>30 September 2012 (Unaudited)</i>	<i>30 September 2011 (Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	69,389,100	119,510,762
<i>Adjustments for:</i>		
Special commission income	(10,811,166)	(10,490,136)
Dividend income on available for sale investments	(1,712,839)	(1,711,979)
Realised gains on sale of available for sale investments	(204,316)	(211,340)
Cash flow from operation	56,660,779	107,097,307
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other assets	(299,879)	104,420
Due from insurance operations, net	152,581,090	254,521,716
Accrued expenses and other liabilities	396,500	(318,500)
Due to/from a shareholder, net	-	(253,749,847)
Zakat and income tax paid	(33,064,472)	(22,875,647)
Net cash from operating activities	176,274,018	84,779,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Time deposits, net	(820,254)	(1,150,112)
Purchase of available for sale investments	(3,000,000)	(60,000,000)
Proceeds from sale of available for sale investments	519,254	8,542,382
Special commission income	10,811,166	10,490,136
Dividend income on available for sale investments	1,712,839	1,711,979
Net cash from / (used in) investing activities	9,223,005	(40,405,615)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(160,000,000)	(100,000,000)
Net cash used in financing activities	(160,000,000)	(100,000,000)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	25,497,023	(55,626,166)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	256,817,745	300,758,288
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	282,314,768	245,132,122
<i>Non-cash transactions:</i>		
Change in fair values of available for sale investments	2,006,262	(1,479,186)
Investment transferred from insurance operation	-	14,000,000

The accompanying notes 1 to 14 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)

30 September 2012

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 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 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 nine month period ended 30 September 2012 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 2011.

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 nine month period ended 30 September 2012 amounted to SR 65,572,557 (2011: SR. 121,373,303). Accordingly, 90% of insurance operation surplus amounting to SR 59,015,301 (2011: SR. 109,235,973) has been transferred to the shareholders' operations for the nine months, leaving a surplus payable to policyholders of SR 6,557,256 as at 30 September 2012 (2011: SR 12,137,330).

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. 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 2011. In addition, accounting policies applicable to significant transactions and account balances arising during the year 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 2011 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:

- Improvements to IFRSs 2011 – IFRS 7 Financial Instruments: Disclosures

The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board amended and removed certain existing disclosure requirements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2012

3. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (continued)

- *Improvements to IFRSs 2011 – IAS 1 Presentation of Financial Statements*

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented in the financial statements, but is permitted to be presented either in the statement of changes in equity or in the notes.

- *Improvements to IFRSs 2011 – IAS 34 Interim Financial Reporting*

These amendments emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

- *IFRS 9 (Financial instruments), IFRS 12 (Disclosure of interest in other entities) and IFRS 13 (Fair value measurement)*

IFRS 9 is effective to annual reporting periods beginning on or after 1 January 2015 with early adoption is permitted. IFRS 12 and 13 are applicable to annual reporting periods beginning on or after 1 January 2013, early adoption is also permitted.

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.

4. CASH AND CASH EQUIVALENTS

	30 September 2012 (Unaudited)		31 December 2011 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash on hand and at banks	132,146,146	11,090,241	249,859,507	17,471,536
Short term time deposits	22,500,000	271,224,527	173,029,556	239,346,209
	<u>154,646,146</u>	<u>282,314,768</u>	<u>422,889,063</u>	<u>256,817,745</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 3.81% per annum (31 December 2011: 3.49%).

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

5. 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 1.3% per annum (31 December 2011: 1.8%).

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)

30 September 2012

6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

Premiums and reinsurance balances receivable are comprised of the following:-

	30 September 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Premiums receivable	1,455,196,498	845,321,819
Reinsurance balances receivable	225,120,191	183,354,993
Total premiums and reinsurance balances receivable	1,680,316,689	1,028,676,812
Less: Provision for doubtful debts	(155,001,532)	(151,501,532)
Premiums and reinsurance balances receivable	1,525,315,157	877,175,280

7. INVESTMENTS

Investments are classified as set out below:

(a) Insurance Operations – Available for sale investments

	30 September 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Mutual funds	71,622,419	109,179,804
Bonds	38,504,625	37,764,375
Total available for sale investments	110,127,044	146,944,179

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

	30 September 2012 (Unaudited) SR	31 December 2011 (Audited) SR
At the beginning of the period/ year	146,944,179	36,883,950
Purchased during the period/year	-	109,179,803
Sold during the period/year	(37,557,385)	-
	109,386,794	146,063,753
Net change in fair values	740,250	880,426
At the end of the period/year	110,127,044	146,944,179

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 1,014,938 (31 December 2011: SR 274,688) is presented within insurance operations' surplus' in the interim statement of financial position.

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7. INVESTMENTS (Continued)

(b) Shareholders' Operations – Available for sale investments

	30 September 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Mutual funds	76,942,119	74,860,497
Bonds	60,822,963	61,421,811
Sukuks	39,409,450	36,200,900
Equities	18,750,000	18,750,000
Total available for sale investments	195,924,532	191,233,208

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

	30 September 2012 (Unaudited) SR	31 December 2011 (Audited) SR
At the beginning of the period/ year	191,233,208	148,455,159
Purchased during the period/year	3,000,000	60,000,000
Sold during the period/year	(314,938)	(15,303,735)
	193,918,270	193,151,424
Net change in fair values	2,006,262	(1,918,216)
At the end of the period/year	195,924,532	191,233,208

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 8,837,476 (31 December 2011: SR 6,831,214) is presented within shareholders' equity in the interim statement of financial position.

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8. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 14,000,000 (a 25% equity interest) (2011: SR 14,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

9. 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").

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Nature of transactions	Amounts of transactions for the nine month period ended		Balance as at	
	September 2012	September 2011	30 September 2012	31 December 2011
	(Unaudited) SR	(Unaudited) SR	(Unaudited) SR	(Audited) SR
- Due from a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders)	10,991,669	(185,668,259)	20,510,403	9,518,734
- Due to a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders)	-	253,749,847	-	-
- Expenses paid on behalf of other affiliated companies, net	(35,144,841)	(24,090,877)	(4,359,906)	30,784,935
TOTAL			16,150,497	40,303,669
- Current accounts and time deposits – (The Saudi Investment Bank, Founding shareholders)	936,983	-	85,631,525	84,694,542
- Commission income on time deposits – (The Saudi Investment Bank, Founding shareholders)	588,488	511,216	393,617	141,050
- Gross premiums written	41,390,056	24,680,473	28,688,939	7,088,681
- Claims incurred	22,608,531	16,471,126	(569,397)	(89,429)
- Premiums ceded	39,184,205	1,863,988	(51,668,940)	(12,484,735)
- Brokerage commission	10,414,915	8,375,338	2,056,818	(12,471,733)

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(UNAUDITED) (continued)

30 September 2012

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Key management personnel's remuneration

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

	<i>For the Nine month ended</i>	
	<i>30 September 2012</i>	<i>30 September 2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(SR)</i>	<i>(SR)</i>
Short term benefits	14,772,693	14,901,928
End of service benefits	728,613	348,192
	<u>15,501,306</u>	<u>15,250,120</u>

11. 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.

Operating segments

*For the nine month period ended
September 2012 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations				
Gross premiums written	1,950,288,329	180,266,148	326,057,402	2,456,611,879
Net premiums written	1,604,038,178	172,080,358	69,040,957	1,845,159,493
Net premiums earned	1,294,094,328	141,590,849	58,609,894	1,494,295,071
Net claims incurred	(1,148,575,697)	(118,821,640)	(6,853,476)	(1,274,250,813)
Policy acquisition costs	(45,688,290)	(11,844,121)	(18,014,624)	(75,547,035)
Reinsurance commission income	21,953,066	1,421,921	39,892,262	63,267,249
Net underwriting result	121,783,407	12,347,009	73,634,056	207,764,472
General and administrative expenses				(168,173,534)
Special commission income and other income				25,981,619
Insurance operations' surplus				<u>65,572,557</u>

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(UNAUDITED) (continued)

30 September 2012

11. SEGMENTAL INFORMATION (continued)

Operating segments (Continued)

*For the nine month period ended
September 2011 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations				
Gross premiums written	1,815,328,447	158,773,634	350,115,385	2,324,217,466
Net premiums written	1,499,535,200	153,000,489	66,254,375	1,718,790,064
Net premiums earned	1,093,888,172	169,907,756	57,868,494	1,321,664,422
Net claims incurred	(854,359,747)	(124,173,047)	(11,374,624)	(989,907,418)
Policy acquisition costs	(48,390,678)	(19,127,492)	(15,717,448)	(83,235,618)
Reinsurance commission income	24,220,317	753,625	51,676,221	76,650,163
Net underwriting result	215,358,064	27,360,842	82,452,643	325,171,549
General and administrative expenses				(236,310,908)
Special commission income and other income				32,512,662
Insurance operations' surplus				121,373,303

*For the three month period ended
September 2012 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations				
Gross premiums written	764,975,994	29,620,333	57,488,597	852,084,924
Net premiums written	632,742,510	27,697,240	12,281,080	672,720,830
Net premiums earned	433,865,970	50,447,024	17,836,622	502,149,616
Net claims incurred	(374,935,743)	(40,915,040)	(1,100,378)	(416,951,161)
Policy acquisition costs	(14,308,105)	(3,379,233)	(6,890,690)	(24,578,028)
Reinsurance commission income	8,609,836	552,279	10,411,278	19,573,393
Net underwriting result	53,231,958	6,705,030	20,256,832	80,193,820
General and administrative expenses				(57,951,008)
Special commission income and other income				8,422,413
Insurance operations' surplus				30,665,225

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2012

11. SEGMENTAL INFORMATION (continued)

Operating segments (Continued)

*For the three month period ended
September 2011 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations				
Gross premiums written	747,686,130	27,066,673	54,201,793	828,954,596
Net premiums written	621,457,211	23,210,439	12,439,093	657,106,743
Net premiums earned	363,049,111	47,095,550	13,219,296	423,363,957
Net claims incurred	(284,732,481)	(39,203,481)	(3,672,153)	(327,608,115)
Policy acquisition costs	(11,069,696)	(5,076,746)	(5,517,165)	(21,663,607)
Reinsurance commission income	8,416,554	773,263	17,284,297	26,474,114
Net underwriting result	75,663,488	3,588,586	21,314,275	100,566,349
General and administrative expenses				(58,244,815)
Special commission income and other income				17,733,753
Insurance operations' surplus				60,055,287

*As at 30 September 2012
(Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations' assets				
Reinsurers' share of unearned premiums	189,604,135	3,117,653	324,922,862	517,644,650
Reinsurers' share of outstanding claims	246,364,580	6,253,478	307,180,088	559,798,146
Deferred policy acquisition costs	18,201,345	6,095,230	14,405,844	38,702,419
Unallocated assets				2,077,343,323
				3,193,488,538
Insurance operations' liabilities				
Gross unearned premiums	1,264,027,566	93,001,071	374,561,666	1,731,590,303
Unearned reinsurance commission	3,854	992,171	38,848,436	39,844,461
Gross outstanding claims	459,097,202	101,157,154	323,292,694	883,547,050
Unallocated liabilities				538,506,724
				3,193,488,538

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 September 2012

11. SEGMENTAL INFORMATION (continued)

Operating segments (continued)

<i>As at 31 December 2011 (Audited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations' assets				
Reinsurers' share of unearned premiums	65,662,486	1,024,458	386,442,509	453,129,453
Reinsurers' share of outstanding claims	244,412,722	3,923,935	289,700,057	538,036,714
Deferred policy acquisition costs	13,542,501	4,634,699	11,910,753	30,087,953
Unallocated assets				1,679,331,990
				<u>2,700,586,110</u>
Insurance operations' liabilities				
Gross unearned premiums	830,142,069	60,418,366	427,150,249	1,317,710,684
Unearned reinsurance commission	7,600	338,016	44,856,314	45,201,930
Gross outstanding claims	373,631,213	75,580,527	304,477,767	753,689,507
Unallocated liabilities				583,983,989
				<u>2,700,586,110</u>

12. 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.

13. DIVIDENDS

The general assembly meeting held on 8 Jumada Al Awal 1433H (corresponding to 31 March 2012) approved the Board of Directors' proposal to distribute dividends for the year ended 31 December 2011 amounting to SR 2.00 per share (2010: SR 1.25 per share) to those shareholders registered in the Company's register of shareholders as at the date of the general assembly meeting. The Company has paid the full amount of declared dividends on April 15, 2012.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 30 Thu Al Qida 1433H (corresponding to 16 October 2012).