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

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

**FOR THE THREE AND NINE MONTH PERIODS ENDED
30 SEPTEMBER 2016**

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

Unaudited Interim Condensed Financial Statements and Independent Auditors' Limited Review Report
For the three and nine month periods ended 30 September 2016

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**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 2016 and the related interim statement of income - insurance operations and accumulated surplus, interim statement of comprehensive income for insurance operations, interim statements of income and comprehensive income - shareholders' operations for the three-month and nine-month periods then ended and interim statement of changes in shareholders' equity and interim statements of cash flows for insurance and shareholders' operations for the nine-month period ended 30 September 2016 and the related notes 1 to 17 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.



EMPHASES OF MATTER

1. 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.
2. We draw attention to Note 16 of the accompanying interim condensed financial statements which states that during the nine months period ended 30 September 2016, the Saudi Arabian Monetary Agency ("SAMA") issued a letter to the Company that highlights the deteriorating solvency margin of the Company and the rectification measures to be taken by the Company according to Article 68 of the Insurance Implementing Regulations. The Company was not able to meet the solvency margin requirement before 30 September 2016 as instructed by SAMA in its aforesaid letter, however, the Company continues to take the necessary actions as advised by SAMA and believes that it will be able to comply with the underlying requirements in the near future.

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18 Muharram 1438H
19 October 2016



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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

(Amounts in SR'000)

		30 September 2016 (Unaudited)	31 December 2015 (Audited)
	Notes		
INSURANCE OPERATIONS' ASSETS			
Bank balances and cash	5	712,104	595,318
Time deposits	6	122,943	197,790
Policyholders' and reinsurance balances receivable	7	1,524,250	1,688,147
Investments	8a, 11a(ii)	28,287	60,224
Due from related parties	11a	1,069	72,606
Due from shareholders' operations		106,833	157,118
Reinsurers' share of outstanding claims		708,223	671,314
Reinsurers' share of unearned premiums		596,779	713,158
Deferred policy acquisition costs		169,081	181,807
Prepayments and other assets		101,435	54,851
Property and equipment, net		52,524	55,219
TOTAL INSURANCE OPERATIONS' ASSETS		4,123,528	4,447,552
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	194,101	108,912
Time deposits	6	-	96,052
Interest on statutory deposit		8,685	7,757
Investments	8b, 11a(ii)	196,448	242,014
Prepayments and other assets		2,548	1,782
Investment in an associate	9	12,095	12,095
Land		30,000	30,000
Statutory deposit	10, 11a(i)	150,000	100,000
Goodwill		480,000	480,000
TOTAL SHAREHOLDERS' ASSETS		1,073,877	1,078,612
TOTAL ASSETS		5,197,405	5,526,164

The accompanying notes 1 to 17 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 2016

(Amounts in SR'000)

	Notes	30 September 2016 (Unaudited)	31 December 2015 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		1,460,887	1,664,788
Due to related parties	11a	49,425	40,589
Accounts and commission payable		186,136	211,837
Accrued expenses and other liabilities		167,014	156,593
Reinsurance balances payable		128,790	120,216
Surplus distribution payable		110,913	106,591
Unearned reinsurance commission		47,130	56,315
Gross unearned premiums		1,916,371	2,054,448
Other claim reserves		56,606	34,350
TOTAL INSURANCE OPERATIONS' LIABILITIES		4,123,272	4,445,727
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	8a	256	1,825
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		4,123,528	4,447,552
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		635	762
Interest payable on statutory deposit		8,685	7,757
Provision for zakat and income tax		12,400	844
Due to insurance operations		106,833	157,118
TOTAL SHAREHOLDERS' LIABILITIES		128,553	166,481
SHAREHOLDERS' EQUITY			
Share capital	14	1,000,000	1,000,000
Statutory reserve	15	146,135	146,135
Accumulated deficit		(208,066)	(249,265)
Cumulative change in fair values of available for sale investments	8b	7,255	15,261
TOTAL SHAREHOLDERS' EQUITY		945,324	912,131
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,073,877	1,078,612
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		5,197,405	5,526,164

The accompanying notes 1 to 17 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 INCOME - INSURANCE OPERATIONS AND ACCUMULATED
SURPLUS

(Amounts in SR'000)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gross premiums written	510,966	754,035	2,635,929	3,418,455
Reinsurance premiums ceded	(87,506)	(114,098)	(385,419)	(500,073)
Excess of loss premiums	(3,463)	(2,762)	(11,421)	(8,288)
NET PREMIUMS WRITTEN	419,997	637,175	2,239,089	2,910,094
Change in unearned premiums, net	294,146	261,352	21,698	(300,492)
NET PREMIUMS EARNED	714,143	898,527	2,260,787	2,609,602
Gross claims paid and other expenses	(666,279)	(804,250)	(2,389,159)	(2,639,300)
Reinsurers' share of gross claims paid	77,726	136,454	299,508	539,705
Change in outstanding claims, net	59,907	(67,301)	240,811	(305,456)
Change in other claim reserves	(10,835)	9,488	(22,256)	(10,553)
NET CLAIMS INCURRED	(539,481)	(725,609)	(1,871,096)	(2,415,604)
Policy acquisition costs	(45,404)	(58,574)	(146,059)	(169,662)
Reinsurance commission income	14,088	24,841	62,614	91,328
NET UNDERWRITING RESULT	143,346	139,185	306,246	115,664
General and administrative expenses	(95,532)	(98,357)	(306,945)	(282,645)
Impairment losses on available for sale investments	-	-	(725)	-
Special commission income	5,544	1,315	14,856	3,915
Other income	9,581	10,335	29,785	39,712
INSURANCE OPERATIONS' SURPLUS / (DEFICIT)	62,939	52,478	43,217	(123,354)
Shareholders' appropriation from insurance operations' surplus / (deficit)	2 (58,617)	(52,478)	(38,895)	123,354
ACCUMULATED SURPLUS AT THE END OF THE PERIOD	4,322	-	4,322	-

The accompanying notes 1 to 17 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 COMPREHENSIVE INCOME - INSURANCE OPERATIONS
(Amounts in SR'000)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
Note	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
INSURANCE OPERATION' SURPLUS AFTER SHAREHOLDERS' APPROPRIATION	4,322	-	4,322	-
Other comprehensive loss:				
Items that may be reclassified to statement of income in subsequent period				
<u>Available for sale investments</u>				
Change in fair values	8a 19	(566)	(2,294)	96
Impairment loss transferred to interim statement of income	8a -	-	725	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	4,341	(566)	2,753	96

The accompanying notes 1 to 17 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 INCOME - SHAREHOLDERS' OPERATIONS
(Amounts in SR'000)

		<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>Notes</i>			
INCOME / (LOSS)					
Shareholders' appropriation from insurance operations' surplus / (deficit)	2	58,617	52,478	38,895	(123,354)
Special commission income		2,270	1,522	7,176	4,998
Realised gain on sale of available for sale investments	8b	-	-	12,838	713
Dividend income on available for sale investments		-	393	326	1,221
Income from investment in an associate		-	-	-	2,723
Other income		162	-	162	-
		<u>61,049</u>	<u>54,393</u>	<u>59,397</u>	<u>(113,699)</u>
EXPENSES					
General and administrative		(1,001)	(2,595)	(3,155)	(8,059)
Impairment losses on available for sale investments	8b	-	-	(616)	(13,751)
		<u>(1,001)</u>	<u>(2,595)</u>	<u>(3,771)</u>	<u>(21,810)</u>
NET INCOME / (LOSS) FOR THE PERIOD		<u>60,048</u>	<u>51,798</u>	<u>55,626</u>	<u>(135,509)</u>
BASIC AND DILUTED EARNING / (LOSS) PER SHARE FOR THE PERIOD	13	<u>0.60</u>	<u>0.52</u>	<u>0.56</u>	<u>(1.36)</u>

The accompanying notes 1 to 17 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 COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
(Amounts in SR'000)

	<u>For the three month period ended</u>		<u>For the nine month period ended</u>	
	<u>30 September</u> <u>2016</u>	<u>30 September</u> <u>2015</u>	<u>30 September</u> <u>2016</u>	<u>30 September</u> <u>2015</u>
<u>Note</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
NET INCOME / (LOSS) FOR THE PERIOD	60,048	51,798	55,626	(135,509)
Other comprehensive (loss) / income:				
Items that will not be reclassified to interim statement of income in subsequent period				
<u>Zakat and income tax</u>	(8,216)	(3,062)	(14,427)	(6,550)
Items that may be reclassified to interim statement of income in subsequent period				
<u>Available for sale investments</u>				
Change in fair values	(370)	(8,936)	(8,622)	8,159
Impairment loss transferred to interim statement of income	8b -	-	616	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	<u>51,462</u>	<u>39,800</u>	<u>33,193</u>	<u>(133,900)</u>

The accompanying notes 1 to 17 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 CHANGES IN SHAREHOLDERS' EQUITY

For the nine month period ended 30 September 2016

(Amounts in SR'000)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated deficit</i>	<i>Cumulative change in fair value of available for sale investments</i>	<i>Total</i>
Balance at 1 January 2016 (Audited)	1,000,000	146,135	(249,265)	15,261	912,131
Total comprehensive income for the period:					
Net income for the period	-	-	55,626	-	55,626
Zakat and income tax	-	-	(14,427)	-	(14,427)
Change in fair values	-	-	-	(8,622)	(8,622)
Impairment loss transferred to interim statement of income shareholders' operations	-	-	-	616	616
Balance at 30 September 2016 (Unaudited)	1,000,000	146,135	(208,066)	7,255	945,324
Balance at 1 January 2015 (Audited)	1,000,000	146,135	19,990	9,945	1,176,070
Total comprehensive loss for the period:					
Net loss for the period	-	-	(135,509)	-	(135,509)
Zakat and income tax	-	-	(6,550)	-	(6,550)
Change in fair values	-	-	-	8,159	8,159
Balance at 30 September 2015 (Unaudited)	1,000,000	146,135	(122,069)	18,104	1,042,170

The accompanying notes 1 to 17 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 2016

(Amounts in SR'000)

	Note	30 September 2016 (Unaudited)	30 September 2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		4,322	-
Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from / (used in) operating activities:			
Shareholders' appropriation from insurance operations' surplus		38,895	-
Depreciation		7,103	6,725
Special commission income		(13,173)	(3,915)
Provision for doubtful debts		35,000	-
Realised gain on sale of available for sale investments	8a	(1,683)	-
Impairment losses on available for sale investment	8a	725	-
Cash from operations		71,189	2,810
Changes in operating assets and liabilities:			
Gross unearned premiums		(138,077)	28,146
Reinsurers' share of unearned premiums		116,379	272,346
Policyholders' and reinsurance balances receivable		128,897	(767,361)
Due from related parties		71,537	1,062
Due to related parties		8,836	25,976
Reinsurers' share of outstanding claims		(36,909)	(123,846)
Deferred policy acquisition costs		12,726	(32,332)
Prepayments and other assets		(46,584)	(66,338)
Deposit against letters of guarantee		755	(8,043)
Gross outstanding claims		(203,901)	429,301
Accounts and commissions payable		(25,701)	(53,847)
Accrued expenses and other liabilities		10,421	55,214
Reinsurance balances payable		8,574	80,554
Unearned reinsurance commission		(9,185)	(12,703)
Other claims reserves		22,256	10,553
Net cash used in operating activities		(8,787)	(158,508)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		74,847	(1,463)
Special commission income		13,173	3,915
Proceeds from sale of available for sale investment		31,326	-
Proceeds from sale of property and equipment		-	72
Purchase of property and equipment		(4,408)	(9,507)
Net cash generated from / (used in) investing activities		114,938	(6,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shareholders' appropriation from insurance operations' surplus		(38,895)	-
Due from shareholders' operations, net		50,285	(98,175)
Net cash from / (used in) financing activities		11,390	(98,175)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		117,541	(263,666)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	574,244	673,942
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	691,785	410,276
Non-cash transaction:			
Change in fair values of available for sale investments		(1,569)	96

The accompanying notes 1 to 17 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 2016

(Amounts in SR'000)

		30 September 2016 (Unaudited)	30 September 2015 (Unaudited)
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		55,626	(135,509)
Adjustments for:			
Special commission income		(7,176)	(4,998)
Dividend income on available for sale investments		(326)	(1,221)
Realised gain on sale of available for sale investments	8b	(12,838)	(713)
Income from investment in associate		-	(2,723)
Impairment losses on available for sale investment	8b	616	13,751
Cash from / (used in) operations		35,902	(131,413)
Changes in operating assets and liabilities:			
Prepayments and other assets		(766)	(874)
Accrued expenses and other liabilities		801	4,634
		35,937	(127,653)
Zakat and income tax paid		(2,871)	(23,789)
Net cash generated from / (used in) operating activities		33,066	(151,442)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		96,052	(95,610)
Proceeds from sale of available for sale investment		49,782	-
Purchase of available for sale investments		-	3,285
Special commission income		7,176	4,998
Dividend income on available for sale investments		326	1,221
Increase in statutory deposit		(50,000)	-
Interest on statutory deposit		(928)	(375)
Net cash generated from / (used in) investing activities		102,408	(86,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Due (from) / to insurance operations, net		(50,285)	98,175
Net cash (used in) / generated from financing activities		(50,285)	98,175
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		85,189	(139,748)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	108,912	241,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	194,101	101,871
Non-cash transactions:			
Change in fair values of available for sale investments		(8,006)	8,159

The accompanying notes 1 to 17 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 2016

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 historical 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 2016 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 and for the year ended 31 December 2015.

As indicated in Note 16 to the accompanying interim condensed financial statements, the Company continues to take the necessary actions as advised by SAMA to comply with the solvency margin. The management of the Company believes that it will be able to comply with the underlying requirements in the near future. Accordingly, these accompanying interim condensed financial statements are prepared on a going concern basis. (Also see Note 16).

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 2016 amounted to SR 43,217 thousand (30 September 2015: deficit of SR 123,354 thousand). Accordingly, 90% of insurance operation surplus amounting to SR 38,895 thousand was transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 4,322 thousand (30 September 2015: no transfer from insurance operations to the shareholders' operations).

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.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate accounts for insurance and shareholders' operations and presents the financial statements accordingly. Income and expenses clearly attributable to the relevant activity are recorded in the respective books of accounts. The basis of allocation of expenses from joint operations is determined by Management and Board of Directors.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

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 2016

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

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 December 31, 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had an no significant financial impact on the interim condensed financial statements of the Company on the current period or prior period and is expected to have no significant effect in future periods:

New and amended standards issued and adopted

- IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Amendments to existing standards

-Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

-Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

-Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

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

Amendments to existing standards (continued)

- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance” , instead of IAS 41.

- Amendments to IAS 27 – “Separate Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

-IFRS 5 - “Non-current Assets Held for Sale and Discontinued Operations” , amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

-IFRS 7 - “Financial Instruments: Disclosures” has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

-IAS 19 - “Employee Benefits” - amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

-IAS 34 - “Interim Financial Reporting” - amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

Standards issued but not yet effective

The following new or amended standards are not expected to have significant impact on the financial statements and the Company has chosen not to early adopt the following standards:

-IFRS 9 – Financial instruments (effective on or after January 1, 2018)

-IFRS 15 – Revenue from contracts with customers (effective on or after January 1, 2018)

-IFRS 16 – Leases (effective on or after January 1, 2019)

5. BANK BALANCES AND CASH

	30 September 2016 (Unaudited)		31 December 2015 (Audited)	
	SR'000	SR'000	SR'000	SR'000
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in hand and at banks	75,697	8,359	231,194	2,122
Short-term time deposits	616,088	185,742	343,050	106,790
Cash and cash equivalents in the statement of cash flows	691,785	194,101	574,244	108,912
Deposits against letters of guarantee	20,319	-	21,074	-
	712,104	194,101	595,318	108,912

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5. BANK BALANCES AND CASH (Continued)

Short term time deposits are placed with counterparties who have credit ratings equivalent to A+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Short term time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 3.25% per annum (31 December 2015: 1.95% per annum).

Deposits against letters of guarantee comprises amounts placed with a local bank against issuance of payment guarantees in favour of the Company's customers and service providers. The deposits against letters of guarantee cannot be withdrawn before the end of guarantee and are restricted in nature.

6. TIME DEPOSITS

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

Time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 3.15% per annum (31 December 2015: 1.38% per annum).

The carrying amounts of the time deposits reasonably approximate the fair value at the statement of financial position date.

7. POLICYHOLDERS' AND REINSURANCE BALANCES RECEIVABLE

	30 September 2016 <i>(Unaudited)</i> SR'000	31 December 2015 <i>(Audited)</i> SR'000
Policyholders' balances receivable	1,252,803	1,291,600
Less: Provision for doubtful debts	(182,862)	(147,862)
	1,069,941	1,143,738
Reinsurance balances receivable	457,948	548,048
Less: Provision for doubtful debts	(3,639)	(3,639)
	454,309	544,409
Total policyholders' and reinsurance balances receivable	1,524,250	1,688,147

8. INVESTMENTS

Investments are classified as set out below:

(a) Insurance operations – Available for sale investments

	30 September 2016 <i>(Unaudited)</i> SR'000	31 December 2015 <i>(Audited)</i> SR'000
Mutual funds	3,287	33,070
Sukuk	25,000	25,000
Equities	-	2,154
Total	28,287	60,224

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8. INVESTMENTS (Continued)

(a) Insurance operations – Available for sale investments (Continued)

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

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
At the beginning of the period / year	60,224	97,733
Sold during the period / year	(31,326)	(37,500)
Realised gain	28,898	60,233
Impairment loss	1,683	10
Net change in fair values	(725)	-
	(1,569)	(19)
At the end of the period / year	28,287	60,224

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 256 thousand (31 December 2015: SR 1,825 thousand) is presented within insurance operations' surplus' in the statement of financial position.

(b) Shareholders' operations – Available for sale investments

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
Mutual funds	55,038	74,843
Bonds	98,487	96,139
Sukuk	41,000	51,060
Equities	1,923	19,972
Total	196,448	242,014

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

	30 September 2016 (Unaudited) SR'000	31 December 2015 (Audited) SR'000
At the beginning of the period / year	242,014	270,415
Sold during the period / year	(49,782)	(18,298)
Realised gain	192,232	252,117
Impairment loss	12,838	774
Net change in fair values	(616)	(16,193)
	(8,006)	5,316
At the end of the period / year	196,448	242,014

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8. INVESTMENTS (Continued)

(b) *Shareholders' operations – Available for sale investments (Continued)*

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 7,255 thousand (31 December 2015: SR 15,261 thousand) is presented within shareholders' equity in the statement of financial position.

(c) *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

Determination of fair value and fair value hierarchy

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

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- 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 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:

(i) *Insurance operations – Fair Value*

	30 September 2016 (Unaudited)			
	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<i>Available for sale investments</i>				
Mutual funds	3,287	-	-	3,287
Sukuk	-	25,000	-	25,000
<i>Total available for sale investments</i>	<u>3,287</u>	<u>25,000</u>	<u>-</u>	<u>28,287</u>
	31 December 2015 (Audited)			
	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<i>Available for sale investments</i>				
Mutual funds	33,070	-	-	33,070
Sukuk	-	25,000	-	25,000
Equities	-	-	2,154	2,154
<i>Total available for sale investments</i>	<u>33,070</u>	<u>25,000</u>	<u>2,154</u>	<u>60,224</u>

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8. INVESTMENTS (Continued)

(c) Fair value (Continued)

(ii) Shareholders' operations –Fair value

30 September 2016 (Unaudited)				
	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
Available for sale investments				
Mutual funds	55,038	-	-	55,038
Bonds	9,998	88,489	-	98,487
Sukuk	-	41,000	-	41,000
Equities	-	-	1,923	1,923
Total available for sale investments	65,036	129,489	1,923	196,448

31 December 2015 (Audited)				
	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
Available for sale investments				
Mutual funds	74,843	-	-	74,843
Bonds	9,998	86,141	-	96,139
Sukuk	10,064	40,996	-	51,060
Equities	18,049	-	1,923	19,972
Total available for sale investments	112,954	127,137	1,923	242,014

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 12,095 thousand (a 25% equity interest) (2015: SR 12,095), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

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. Further, SAMA has increased the statutory deposit by 5% and accordingly the Company has transferred the same to arrive at 15% statutory deposit (refer to note 16). This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA").

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11. 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:

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 September 2016	30 September 2015	30 September 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Due from related parties					
Medgulf BSC - Head office account (parent company)	-Claims recoveries on behalf of parent company	1,069	-	-	-
	-Payment received during the period	23,879	-	-	-
	-Balance due from at period end/year	-	-	1,069	23,879
Medgulf BSC - Operation account (parent company)	-Reinsurance recoveries on behalf of parent company	-	4	-	-
	-Settlement on behalf of parent company (run off)	-	12	-	-
	-Payment received during the period	24,206	-	-	-
	-Balance due from at period end/year	-	-	-	24,206
Medgulf Egypt (fellow subsidiary)	-Payment received during the period	58	-	-	-
	-Balance due from at period end/year	-	-	-	58
Medgulf Jordan (fellow subsidiary)	-Payment received during the period	25	-	-	-
	-Balance due from at period end/year	-	-	-	25
Motion al-Saudia (fellow subsidiary) (in liquidation)	-Payment received during the period	10,924	-	-	-
	-Balance due from at period end/year	-	-	-	10,924

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 September 2016	30 September 2015	30 September 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Due from related parties (continued)					
Addison Bradley Arabia- KSA – (fellow subsidiary)	-Payment received during the period	13,066	-	-	-
	-Balance due from at period end/year	-	-	-	13,066
Al Samiya Trading Co (fellow subsidiary)	-Payment received during the period	448	-	-	-
	-Gross written premium	-	21	-	-
	-Balance due from at period end/year	-	-	-	448
Medgulf Lebanon	-Claims paid by fellow subsidiary on behalf of Medgulf KSA	-	1,075	-	-
				1,069	72,606
Due to related parties					
Medivisa KSA (fellow subsidiary)	-Insurance premium for employees of fellow subsidiary	3,875	3,234	-	-
	-Third party administration fees	62,276	87,045	-	-
	-Claim incurred	140	131	-	-
	-Payment received	46	-	-	-
	-Premium refundable	344	241	-	-
	-Payment on third party administration fees	50,000	57,991	-	-
	-5% Service fees paid on behalf on Medgulf KSA (Jordan)	-	84	-	-
	-Balance due to at period end/year	-	-	49,425	40,589
				49,425	40,589

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 September 2016	30 September 2015	30 September 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
The Saudi Investment Bank, (Founding shareholders)	-Current account and time deposits	3,760	685	4,283	523
	-Statutory deposit (refer note 11.a (i))	50,928	375	158,685	107,757
	-Gross written premiums	2,516	4,257	-	-
	-Premiums refundable	-	-	2,342	(664)
	-Claims incurred	1,128	840	-	-
	-Outstanding claims payable	-	-	(1,447)	(361)
	-Discretionary portfolio arrangement (refer 11.a (ii))	125	699	55,038	55,163
Al Istithmar Capital (subsidiary of SIB-founding shareholders)	-GCC Equity Fund	9,272	363	-	9,272
	-Gross Written Premium	(24)	-	-	-
	-Premiums refundable	-	-	(24)	(14)
	-Outstanding claims payable	-	-	(14)	-
	-Gross Written Premium	74,372	-	-	-
	-Premiums receivable	-	-	59,573	-
	-Claims incurred	2,603	-	-	-
Saudi Ground Services (Under common directorship) Note 11.a(iv)	-Outstanding claims payable	-	-	(499)	-
	-Current account and time deposits	-	19	-	-
	-Gross written premiums	-	101	-	-
Creative Solutions Restaurants Co. (Under common directorship) note 11.a(iii)	-Claims incurred	-	157	-	-
	-Premiums receivable	-	-	-	2
	-Medical claim	113	-	-	-
Sanaya Dental Care (Under common directorship)	-Payment on account	113	-	-	-
	-Balance due to at period end/year	-	-	9	9

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 September 2016	30 September 2015	30 September 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Medivisa KSA (fellow subsidiary)	-Medical claim				
	Jordan / balance	1,973	-	2,093	159
	-Medical claim				
	Lebanon / balance	596	-	596	-
	-Medical claim				
	Egypt / balance	55	-	74	19
Saudi Orix (Shareholders of the parent company)	-Payment to Medivisa KSA	-	278	-	-
	-Income on Sukuk	-	141	-	-
	-Gross written premiums	27,750	29,892	-	-
	-Premiums receivable	-	-	3,722	1,925
	-Claims incurred	15,509	14,194	-	-
	-Outstanding claims payable / recovery	-	-	(114)	(220)
Safari Group of companies (common Directorship)	-Gross written premiums	16,370	13,702	-	-
	-Premiums receivable	-	-	13,673	1,126
	-Claims incurred	10,329	8,578	-	-
	-Claims payable	-	-	(499)	(785)
Khalid A. Al Shathry Construction Co. (Under common directorship)	-Gross written premiums	24	31	-	-
	-Premiums receivable	-	-	143	119
	-Claims incurred	56	31	-	-
	- Outstanding claims payable / (recovery)	-	-	1	-
Khalid A. Al Shathry- board member (individual motor policies)	-Gross written premiums	7	12	-	-
	-Premiums receivables	-	-	574	831
	-Claims incurred	-	38	-	-
	-Outstanding claims	-	-	10	(11)
Al Jasamah establishment (Under common directorship) note 11.a(iii)	-Gross written premiums	-	148	-	-
	-Premiums receivables	-	-	-	4
	-Claims incurred	-	346	-	-
	-Outstanding claims	-	-	-	(8)

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 September 2016	30 September 2015	30 September 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Medgulf BSC (parent company)	-Claim recoveries receivable	26,766	227,593	-	-
	-Reinsurance premium ceded	-	3,749	-	-
	-Payment received during the period	126,586	-	-	-
	-Reinsurance Commission income	-	375	-	-
	-Balance Receivable at the end of the period/year end	-	-	206,072	305,892
Addison Bradley Overseas (fellow subsidiary)	-Reinsurance premiums ceded	-	61	-	-
	-Reinsurance claim recoveries	-	15,227	-	-
	-Claim recoveries	-	-	-	-
	-Reinsurance commission income	-	-	-	-
	-Payment received during the period	54,527	-	-	-
	-Balance at the end of period/year end	-	-	-	54,527
Addison Bradley Arabia Holding LLC (UAE) (fellow subsidiary)	-Reinsurance claim recoveries payable	2	2	-	(2,692)
	-Commission cancellation	-	10	-	-
	-Payment made during the period	2,692	-	-	-
	-Payment received during the period	31	-	-	-
SIB LLC (UAE) (fellow subsidiary)	-Balance due to at period / year end	-	-	-	(31)
	-Reinsurance receivable	-	-	-	3,164
Addison Bradley Arabia-KSA (fellow subsidiary)	-Premiums receivable	-	-	-	1,406
	-Payment received during the period	4,570	-	-	-

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 September 2016	30 September 2015	30 September 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Addison Bradley Arabia- KSA – reinsurance broker (fellow subsidiary)	-Reinsurance premiums ceded	-	6	-	-
	-Reinsurance claim recoveries	-	3,848	-	-
	-Direct payment to reinsurer	-	1,920	-	-
	-Collection from recoveries	-	6,149	-	-
Addison Bradley Arabia- KSA – Brokerage commission (fellow subsidiary)	-Brokerage commission	-	(20)	-	-
Emad J. Baban (individual motor policies of Director) note 11.a(iii)	-Gross written premiums	-	19	-	-
	-Claims incurred	-	25	-	-
Saleh Al-Sagri (individual motor policies of Director)	-Gross written premiums	64	149	-	-
	-Premiums refundable	-	-	-	(8)
	-Claims incurred	2	14	-	-
	-Outstanding claims	-	-	1	-
Lutfi Fadel El Zein - board member	-Gross written premiums	87	-	-	-
	-Premiums receivable	-	-	44	-

11.a(i) Statutory deposit has been placed with the Saudi Investment Bank at the commission rate of 0.7% per annum.

11.a(ii) Discretionary portfolio management agreement (DPM) was signed on February 11, 2011 and includes a mix of equity and debt investments.

11.a(iii) Creative solution restaurants Co., Al Jasamah establishment and Emad J. Baban are not a related party for the current period. The transactions and balances and are presented for comparatives only.

11.a(iv) During the period a transaction has entered with Saudi Ground Service (under common directorship) for which the approval will be taken in extraordinary general assembly meeting to be held on October 16, 2016.

11.b Compensation of key management personnel

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

	(Unaudited) SR'000	(Audited) SR'000
Short term benefits	11,769	13,178
End of service benefits	895	1,368
	12,664	14,546

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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 nine-month period ended
September 2016 (Unaudited)*

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<i>Insurance operations</i>				
Gross premiums written	1,843,309	499,056	293,564	2,635,929
Net premiums written	1,842,309	344,286	52,494	2,239,089
Net premiums earned	1,868,105	328,516	64,166	2,260,787
Net claims incurred	(1,591,525)	(262,346)	(17,225)	(1,871,096)
Policy acquisition costs	(93,788)	(29,892)	(22,379)	(146,059)
Reinsurance commission income	-	32,909	29,705	62,614
Net underwriting result	182,792	69,187	54,267	306,246
General and administrative expenses and impairment charge on available for sale investment				(307,670)
Special commission income and other income				44,641
Insurance operations' surplus				43,217

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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(Continued)

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12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the nine-month period ended
September 2015 (Unaudited)*

	<i>Medical SR '000</i>	<i>Motor SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
Insurance operations				
Gross premiums written	2,433,996	580,500	403,959	3,418,455
Net premiums written	2,430,247	401,297	78,550	2,910,094
Net premiums earned	2,135,207	397,093	77,302	2,609,602
Net claims incurred	(1,929,199)	(472,972)	(13,433)	(2,415,604)
Policy acquisition costs	(118,048)	(26,358)	(25,256)	(169,662)
Reinsurance commission income	20,812	27,918	42,598	91,328
Net underwriting result	108,772	(74,319)	81,211	115,664
General and administrative expenses				(282,645)
Special commission income and other income				43,627
Insurance operations' deficit				(123,354)

*For the three month period ended
September 2016 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Other SR</i>	<i>Total SR</i>
Insurance operations				
Gross premiums written	326,244	116,934	67,788	510,966
Net premiums written	326,244	80,618	13,135	419,997
Net premiums earned	587,186	106,971	19,986	714,143
Net claims incurred	(458,655)	(73,356)	(7,470)	(539,481)
Policy acquisition costs	(27,991)	(10,124)	(7,289)	(45,404)
Reinsurance commission income	-	10,392	3,696	14,088
Net underwriting result	100,540	33,883	8,923	143,346
General and administrative expenses and impairment charge on available for sale investment				(95,532)
Special commission income and other income				15,125
Insurance operations' surplus				62,939

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

30 September 2016

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the three month period ended
September 2015 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Other SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	515,413	140,540	98,082	754,035
Net premiums written	514,717	94,017	28,441	637,175
Net premiums earned	754,213	114,657	29,657	898,527
Net claims incurred	(600,046)	(121,071)	(4,492)	(725,609)
Policy acquisition costs	(43,058)	(6,611)	(8,905)	(58,574)
Reinsurance commission income	(94)	9,439	15,496	24,841
Net underwriting result	111,015	(3,586)	31,756	139,185
General and administrative expenses				(98,357)
Special commission income and other income				11,650
Insurance operations' surplus				52,478

*As at 30 September 2016
(Unaudited)*

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	-	84,299	512,480	596,779
Reinsurers' share of outstanding claims	3,497	90,623	614,103	708,223
Deferred policy acquisition costs	128,384	15,797	24,900	169,081
Unallocated assets				2,649,445
				4,123,528
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,065,426	280,996	569,949	1,916,371
Unearned reinsurance commission	-	15,437	31,693	47,130
Gross outstanding claims	553,778	263,809	643,300	1,460,887
Unallocated liabilities				699,140
				4,123,528

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(Continued)
30 September 2016

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

<i>As at 31 December 2015 (Audited)</i>	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	-	77,523	635,635	713,158
Reinsurers' share of outstanding claims	27,353	87,015	556,946	671,314
Deferred policy acquisition costs	137,520	14,955	29,332	181,807
Unallocated assets				2,881,273
				<u>4,447,552</u>
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,091,222	258,450	704,776	2,054,448
Unearned reinsurance commission	-	15,502	40,813	56,315
Gross outstanding claims	823,776	256,209	584,803	1,664,788
Unallocated liabilities				672,001
				<u>4,447,552</u>

13. BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE

Basic and diluted earnings per share for the period was calculated by dividing the net income / (loss) for the period by the weighted average number of shares issued and outstanding during the period amounting to 100 million shares.

14. SHARE CAPITAL

The authorized and paid up share capital of the Company is SR 1,000 million divided into 100 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 75 million shares (SR 750 million) with a nominal value of SR 10 each, which represent 75% of the shares of the Company and the remaining 25 million shares (SR 250 million) with a nominal value of SR 10 each which represent 25% of the shares of the Company, have been subscribed by the general public.

15. STATUTORY RESERVE

In accordance with its By-laws, 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. Since there were no profits in 2015, there was null transfer to statutory reserve.

16. SOLVENCY MARGIN

During the period, the SAMA issued a letter to the Company under Ref. 371000070025 dated 30 March 2016. The letter highlights the deteriorating solvency margin of the Company and the rectification measures to be taken by the Company according to Article 68 of the Insurance Implementing Regulations. SAMA in its aforesaid letter instructed the Company to meet the solvency margin requirement before 30 September 2016 and increase its statutory deposit from 10% to 15% of the paid up capital before 21 April 2016. Further, SAMA directed the Company to appoint a consultant to study the reasons for the deterioration of the financial position and formulate a strategy to overcome the deterioration. The letter also indicates that detailed progress report on the consultant's work, on a monthly and quarterly basis, and final report should be submitted to SAMA. During the three-month period ended 30 June 2016, the Company increased the statutory deposit to 15% of the paid up capital, appointed a consultant and is submitting the consultant's monthly and quarterly reports to SAMA as advised. The Company was not able to meet the solvency margin requirement before 30 September 2016 as instructed by SAMA in its aforesaid letter, however, the Company continues to take the necessary actions as advised by SAMA and believes that it will be able to comply with the underlying requirements in the near future.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

30 September 2016

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on Muharram 18, 1438H (corresponding to October 19, 2016).