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**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 SIX MONTH PERIOD ENDED  
30 JUNE 2013**

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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 six month period ended 30 June 2013

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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 June 2013, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three month and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six 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 MATTER**

We would like to draw attention to the facts that:

- Based on management's communications with the Saudi Arabian Monetary Agency (SAMA) on the adequacy of its medical claim reserves, the Company appointed a new actuary to review the claim reserves which were previously reviewed by an independent actuary. The ultimate outcome of this new review can only be determined upon completion of the review and approval of the actuarial report. Therefore no adjustments have been made to these accompanying financial statements.

- 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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14 Ramadan 1434H  
22 July 2013

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

(Amounts in SR)

		30 June 2013 (Unaudited)	31 December 2012 (Audited)
	Notes		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	251,107,505	282,656,404
Time deposits	6	128,799,209	138,003,620
Premiums and reinsurance balances receivable	7	1,426,597,799	1,295,634,353
Investments	8a	110,954,694	110,373,947
Due from related parties	11a	13,761,700	2,881,547
Reinsurers' share of outstanding claims		795,555,523	597,359,495
Reinsurers' share of unearned premiums		634,720,753	634,044,489
Deferred policy acquisition costs		84,832,821	35,018,105
Prepayments and other assets		222,189,450	61,029,981
Property and equipment, net		29,553,651	32,224,503
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>3,698,073,105</b>	<b>3,189,226,444</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	301,401,056	286,624,155
Time deposits	6	66,270,813	65,854,648
Due from insurance operations		88,556,990	76,369,767
Investments	8b	194,367,638	196,858,681
Prepayments and other assets		2,697,661	2,473,583
Investment in an associate	9	10,000,000	14,000,000
Land		30,000,000	30,000,000
Statutory deposit	10	80,000,000	80,000,000
Goodwill		480,000,000	480,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>1,253,294,158</b>	<b>1,232,180,834</b>
<b>TOTAL ASSETS</b>		<b>4,951,367,263</b>	<b>4,421,407,278</b>




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

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

STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2013

(Amounts in SR)

	Notes	30 June 2013 (Unaudited)	31 December 2012 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Gross outstanding claims		1,168,983,873	977,706,485
Due to shareholders' operations		88,556,990	76,369,767
Accounts and commission payable		69,616,448	46,929,555
Accrued expenses and other liabilities		65,536,282	63,818,326
Reinsurance balances payable		162,150,210	162,134,362
Surplus distribution payable		90,621,570	85,595,806
Unearned reinsurance commission		45,641,061	49,901,488
Gross unearned premiums		1,998,646,814	1,718,652,217
Other reserves		6,620,672	7,000,000
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>3,696,373,920</b>	<b>3,188,108,006</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Cumulative change in fair values of available for sale investments	8a	1,699,185	1,118,438
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>3,698,073,105</b>	<b>3,189,226,444</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		767,000	225,000
Provision for zakat and income tax		26,209,588	45,800,704
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>26,976,588</b>	<b>46,025,704</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	1,000,000,000	800,000,000
Statutory reserve		139,374,369	139,374,369
Retained earnings	15	75,140,694	237,497,478
Cumulative change in fair values of available for sale investments	8b	11,802,507	9,283,283
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,226,317,570</b>	<b>1,186,155,130</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,253,294,158</b>	<b>1,232,180,834</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>4,951,367,263</b>	<b>4,421,407,278</b>

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



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

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

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gross premiums written	996,381,284	733,864,779	1,907,519,543	1,604,526,955
Less: Reinsurance premiums ceded	(230,248,433)	(195,488,226)	(427,757,701)	(393,390,440)
Excess of loss premiums	(9,230,089)	(19,348,926)	(19,062,628)	(38,697,852)
<b>NET PREMIUMS WRITTEN</b>	<b>756,902,762</b>	<b>519,027,627</b>	<b>1,460,699,214</b>	<b>1,172,438,663</b>
Change in unearned premiums, net	(147,281,891)	(3,558,130)	(279,318,333)	(179,293,208)
Change in other reserves	435,135	(500,000)	379,328	(1,000,000)
<b>NET PREMIUMS EARNED</b>	<b>610,056,006</b>	<b>514,969,497</b>	<b>1,181,760,209</b>	<b>992,145,455</b>
Gross claims paid and other expenses	(661,554,720)	(486,755,041)	(1,332,691,269)	(984,488,253)
Reinsurers' share of gross claims paid	122,532,129	96,551,600	276,392,778	189,552,843
Change in outstanding claims, net	(21,528,190)	(89,878,387)	6,918,640	(62,364,242)
<b>NET CLAIMS INCURRED</b>	<b>(560,550,781)</b>	<b>(480,081,828)</b>	<b>(1,049,379,851)</b>	<b>(857,299,652)</b>
Policy acquisition costs	(4,135,622)	(26,372,582)	(33,945,296)	(50,969,007)
Reinsurance commission income	29,387,488	19,222,805	57,688,002	43,693,856
<b>NET UNDERWRITING RESULT</b>	<b>74,757,091</b>	<b>27,737,892</b>	<b>156,123,064</b>	<b>127,570,652</b>
General and administrative expenses	(66,980,147)	(53,617,884)	(127,298,166)	(110,222,526)
Special commission income	1,048,537	1,446,389	2,899,074	2,743,678
Other income	8,433,829	7,466,358	18,533,664	14,815,528
<b>INSURANCE OPERATIONS' SURPLUS</b>	<b>17,259,310</b>	<b>(16,967,245)</b>	<b>50,257,636</b>	<b>34,907,332</b>
Shareholders' appropriation from insurance operations' surplus	2 (15,533,378)	15,270,520	(45,231,872)	(31,416,599)
<b>ACCUMULATED SURPLUS AT THE END OF THE PERIOD</b>	<b>1,725,932</b>	<b>(1,696,725)</b>	<b>5,025,764</b>	<b>3,490,733</b>

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

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS  
(Amounts in SR)

		<i><u>For the three month period ended</u></i>		<i><u>For the six month period ended</u></i>	
		<i><u>30 June 2013 (Unaudited)</u></i>	<i><u>30 June 2012 (Unaudited)</u></i>	<i><u>30 June 2013 (Unaudited)</u></i>	<i><u>30 June 2012 (Unaudited)</u></i>
	<i><u>Note</u></i>				
<b>INCOME</b>					
Shareholders' appropriation from insurance operations' surplus	2	15,533,378	(15,270,520)	45,231,872	31,416,599
Special commission income		3,598,635	3,545,650	7,265,805	7,162,357
Realised gains on sale of available for sale investments		-	6,803	-	220,057
Dividend income on available for sale investments		1,493,221	1,491,653	1,596,124	1,599,037
		<u>20,625,234</u>	<u>(10,226,414)</u>	<u>54,093,801</u>	<u>40,398,050</u>
<b>EXPENSES</b>					
General and administrative		<u>(2,820,347)</u>	<u>(713,208)</u>	<u>(5,605,073)</u>	<u>(1,733,558)</u>
<b>NET INCOME / LOSS FOR THE PERIOD</b>					
		<u>17,804,887</u>	<u>(10,939,622)</u>	<u>48,488,728</u>	<u>38,664,492</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD</b>					
	13,14	0.178	(0.109)	0.485	0.387




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



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

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

	<u>For the three month period ended</u>		<u>For the six month period ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
NET INCOME FOR THE PERIOD	17,804,887	(10,939,622)	48,488,728	38,664,492
OTHER COMPREHENSIVE (LOSS)				
Zakat and income tax	(4,163,158)	(1,242,331)	(10,845,512)	(9,081,501)
Change in fair values of available for sale investments	1,625,830	(3,190,287)	2,519,224	682,765
Other comprehensive loss for the period	(2,537,328)	(4,432,618)	(8,326,288)	(8,398,736)
TOTAL COMPREHENSIVE INCOME / LOSS FOR THE PERIOD	15,267,559	(15,372,240)	40,162,440	30,265,756




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

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 2013

(Amounts in SR)

	<i>Note</i>	<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>
<b>Balance at 1 January 2013</b>		<u>800,000,000</u>	<u>139,374,369</u>	<u>237,497,478</u>	<u>9,283,283</u>	<u>1,186,155,130</u>
Net income for the period		-	-	48,488,728	-	48,488,728
Other comprehensive (loss) / income for the period		-	-	(10,845,512)	2,519,224	(8,326,288)
Total comprehensive income for the period		-	-	37,643,216	2,519,224	40,162,440
Bonus shares issued	14	<u>200,000,000</u>	-	<u>(200,000,000)</u>	-	-
<b>Balance at 30 June 2013 (Unaudited)</b>		<u><u>1,000,000,000</u></u>	<u><u>139,374,369</u></u>	<u><u>75,140,694</u></u>	<u><u>11,802,507</u></u>	<u><u>1,226,317,570</u></u>
 Balance at 1 January 2012		<u>800,000,000</u>	<u>105,334,781</u>	<u>261,339,125</u>	<u>6,831,214</u>	<u>1,173,505,120</u>
Net income for the period		-	-	38,664,492	-	38,664,492
Other comprehensive (loss) / income for the period		-	-	(9,081,501)	682,765	(8,398,736)
Total comprehensive income for the period		-	-	29,582,991	682,765	30,265,756
Dividends paid		-	-	(160,000,000)	-	(160,000,000)
 Balance at 30 June 2012 (unaudited)		<u><u>800,000,000</u></u>	<u><u>105,334,781</u></u>	<u><u>130,922,116</u></u>	<u><u>7,513,979</u></u>	<u><u>1,043,770,876</u></u>

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

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the six month period ended 30 June 2013

(Amounts in SR)

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Insurance operations' surplus after shareholders' appropriation	5,025,764	3,490,733
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash used in operating activities:</i>		
Depreciation	4,088,137	5,978,012
Provision for doubtful debts	-	3,000,000
Gain on sale of available for sale investment	-	(296,013)
Special commission income	(2,899,074)	(2,743,678)
Gain on sale of property and equipment, net	(273,933)	(99,171)
Gross unearned premiums	279,994,597	239,495,265
Reinsurers' share of unearned premiums	(676,264)	(60,202,057)
<b>Cash from operations</b>	<b>285,259,227</b>	<b>188,623,091</b>
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurance balances receivable	(130,963,446)	(487,878,860)
Due from related parties	(10,880,153)	2,639,956
Reinsurers' share of outstanding claims	(198,196,028)	(33,127,996)
Deferred policy acquisition costs	(49,814,716)	(12,576,833)
Prepayments and other assets	(161,159,469)	(48,229,704)
Gross outstanding claims	191,277,388	95,492,238
Due from / to shareholders' operations, net	12,187,223	(149,485,800)
Accounts and commissions payable	22,686,893	22,040,794
Accrued expenses and other liabilities	1,717,956	(2,243,988)
Reinsurance balances payable	15,848	83,542,311
Unearned reinsurance commission	(4,260,427)	(646,158)
Other reserves	(379,328)	1,000,000
<b>Net cash used in operating activities</b>	<b>(42,509,032)</b>	<b>(340,850,949)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Time deposits	9,204,411	(337,250)
Special commission income	2,899,074	2,743,678
Proceeds from sale of property and equipment	431,003	103,800
Proceeds from sale of available for sale investments	-	38,000,000
Purchase of property and equipment	(1,574,355)	(5,301,227)
<b>Net cash from investing activities</b>	<b>10,960,133</b>	<b>35,209,001</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(31,548,899)</b>	<b>(305,641,948)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>282,656,404</b>	<b>422,889,063</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>251,107,505</b>	<b>117,247,115</b>
<b>Non-cash transaction:</b>		
Change in fair values of available for sale investments	580,747	390,375

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

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the six month period ended 30 June 2013

(Amounts in SR)

	Note	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period		48,488,728	38,664,492
Adjustments for:			
Special commission income		(7,265,805)	(7,162,357)
Dividend income on available for sale investments		(1,596,124)	(1,599,037)
Realised gains on sale of available for sale investments		-	(220,057)
Impairment on investment in an associate		4,000,000	-
Cash from operations		43,626,799	29,683,041
Changes in operating assets and liabilities:			
Due to / from insurance operations, net		(12,187,223)	149,485,800
Accrued expenses and other liabilities		542,000	21,500
Zakat and income tax paid		(30,436,628)	(33,064,472)
Prepayments and other assets		(224,078)	(293,361)
Net cash from operating activities		1,320,870	145,832,508
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		(416,165)	(405,221)
Purchase of available for sale investments		(10,000,000)	(3,000,000)
Proceeds from sale of available for sale investments		15,010,267	509,800
Special commission income		7,265,805	7,162,357
Dividend income on available for sale investments		1,596,124	1,599,037
Net cash from investing activities		13,456,031	5,865,973
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividends paid		-	(160,000,000)
Net cash used in financing activity		-	(160,000,000)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		14,776,901	(8,301,519)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		286,624,155	256,817,745
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	301,401,056	248,516,226
<b>Non-cash transactions:</b>			
Change in fair values of available for sale investments		2,519,224	682,765
Increase in share capital due to bonus issue		200,000,000	-

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)

30 June 2013

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

**2. BASIS OF PREPARATION**

*Basis of measurement*

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

*Statement of compliance*

The accompanying interim condensed financial statements for the six month period ended 30 June 2013 are prepared in accordance with IAS 34 – Interim Financial Reporting.

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

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

The insurance operations' surplus of the Company for the six month period ended 30 June 2013 amounted to SR 50,257,636 (30 June 2012: SR. 34,907,332). Accordingly, 90% of insurance operation surplus amounting to SR 45,231,872 (30 June 2012: SR. 31,416,599) has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 5,025,764 as at 30 June 2013 (30 June 2012: SR 3,490,733).

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

**3. FUNCTIONAL AND PRESENTATION CURRENCY**

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

**4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS**

*Significant accounting policies*

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012. The Company has chosen not to early adopt the following new standards and amendment, which are effective for the Company's financial years starting 2013 and thereafter:

*IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 June 2013

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

also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments have not impacted the Company's financial position or performance.

*IAS 34 Interim Financial Reporting — Interim financial reporting and segment information*

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. Adoption of this standard did have not impact the Company's financial position or performance.

*IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available for sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment had no impact on the Company's financial position or performance.

*Standards issued but not yet effective*

In addition to the above mentioned standards, following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

*IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

*IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment is effective for annual periods beginning on or after 1 January 2014.



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5. CASH AND CASH EQUIVALENTS

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	148,152,505	18,711,784	260,156,404	13,229,654
Short term time deposits	102,955,000	282,689,272	22,500,000	273,394,501
	<u>251,107,505</u>	<u>301,401,056</u>	<u>282,656,404</u>	<u>286,624,155</u>

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

Short term time deposits are placed with local and international banks with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 3.76% per annum (31 December 2012: 3.81% per annum).

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

6. TIME DEPOSITS

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

Time deposits are placed with local and international banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1% per annum (31 December 2012: 1.3% per annum).

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

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7. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

	30 June 2013 (Unaudited) SR	31 December 2012 (Audited) SR
Premiums receivable	1,346,275,022	1,251,801,501
Less: Provision for doubtful debts	(136,271,096)	(135,246,450)
	<u>1,210,003,926</u>	<u>1,116,555,051</u>
Reinsurance balances receivable	221,824,309	185,334,384
Less: Provision for doubtful debts	(5,230,436)	(6,255,082)
	<u>216,593,873</u>	<u>179,079,302</u>
	<u>1,426,597,799</u>	<u>1,295,634,353</u>

8. INVESTMENTS

(a) Insurance operations – Available for sale investments

	30 June 2013 (Unaudited) SR	31 December 2012 (Audited) SR
Mutual funds	72,104,694	71,765,822
Bonds	38,850,000	38,608,125
Total available for sale investments	<u>110,954,694</u>	<u>110,373,947</u>

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

	30 June 2013 (Unaudited) SR	31 December 2012 (Audited) SR
At the beginning of the period / year	110,373,947	146,944,179
Sold during the period / year	-	(37,413,982)
	<u>110,373,947</u>	<u>109,530,197</u>
Net change in fair values	580,747	843,750
At the end of the period / year	<u>110,954,694</u>	<u>110,373,947</u>

The cumulative change as of 30 June 2013 in fair values of available for sale investments for insurance operations amounting to SR 1,699,185 (31 December 2012: SR 1,118,438) is presented within insurance operations' surplus' in the interim statement of financial position.

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8. INVESTMENTS (Continued)

(b) Shareholders' operations – Available for sale investments

	30 June 2013 (Unaudited) SR	31 December 2012 (Audited) SR
Mutual funds	81,244,700	77,564,731
Bonds	34,656,938	35,473,575
Sukuks	59,716,000	65,070,375
Equities	18,750,000	18,750,000
<b>Total available for sale investments</b>	<b>194,367,638</b>	<b>196,858,681</b>

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

	30 June 2013 (Unaudited) SR	31 December 2012 (Audited) SR
At the beginning of the period / year	196,858,681	191,233,208
Purchased during the period / year	10,000,000	28,500,000
Sold during the period / year	(15,010,267)	(25,326,596)
<b>Net change in fair values</b>	<b>191,848,414</b>	<b>194,406,612</b>
	<b>2,519,224</b>	<b>2,452,069</b>
<b>At the end of the period / year</b>	<b>194,367,638</b>	<b>196,858,681</b>

The cumulative change as of 30 June 2013 in fair values of available for sale investments for shareholders' operations amounting to SR 11,802,507 (31 December 2012: SR 9,283,283) is presented within shareholders' equity in the interim statement of financial position.

(c) Fair Value

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

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

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

- Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repacking).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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8. INVESTMENTS (Continued)

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

30 June 2013				
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	146,171,894	7,177,500	-	153,349,394
Bonds	73,506,938	-	-	73,506,938
Sukuk	28,716,000	31,000,000	-	59,716,000
Equities	-	18,750,000	-	18,750,000
<i>Total available for sale investments</i>	<u>248,394,832</u>	<u>56,927,500</u>	<u>-</u>	<u>305,322,332</u>
31 December 2012				
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	141,928,053	7,402,500	-	149,330,553
Bonds	74,081,700	-	-	74,081,700
Sukuk	44,070,375	21,000,000	-	65,070,375
Equities	-	18,750,000	-	18,750,000
<i>Total available for sale investments</i>	<u>260,080,128</u>	<u>47,152,500</u>	<u>-</u>	<u>307,232,628</u>

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 10,000,000 (a 25% equity interest) (2012: SR 14,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia. During the second quarter in 2013, the Company has impaired the investment by SR 4,000,000 due to the losses made by associate.

10. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA"). Legal formalities to increase statutory deposit due to increase in paid up capital are in process (note 14).

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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 / year and their balances at the end of the period:

Nature of transactions	Amounts of transactions for the six month period ended		Balance as at	
	30 June 2013	30 June 2012	30 June 2013	31 December 2012
	(Unaudited) SR	(Unaudited) SR	(Unaudited) SR	(Audited) SR
Due from a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders)	2,014,070	10,582,364	22,980,284	20,966,214
Expenses paid on behalf of other affiliated companies, net	8,866,091	(13,222,230)	(9,218,584)	(18,084,667)
<b>TOTAL</b>			<b>13,761,700</b>	<b>2,881,547</b>
Current accounts and time deposits – (The Saudi Investment Bank, Founding shareholders)	1,025,083	936,983	87,681,895	86,656,812
Commission income on time deposits – (The Saudi Investment Bank, Founding shareholders)	19,556	374,211	163,024	182,580
Gross premiums written	31,911,574	31,125,356	29,586,358	6,786,050
Claims incurred	(13,589,145)	16,017,107	(1,116,958)	899,280
Premiums ceded	29,454,408	(37,761,880)	21,287,489	50,741,897
Brokerage commission	155,770	(11,113,583)	1,397,543	1,553,313

Key management personnel's remuneration

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

	For the six month period ended	
	30 June 2013 (Unaudited) (SR)	30 June 2012 (Unaudited) (SR)
Short term benefits	8,256,989	9,535,962
End of service benefits	582,767	170,477
	<b>8,839,756</b>	<b>9,706,439</b>

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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 six month period ended  
June 2013 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	1,357,194,612	230,298,834	320,026,097	1,907,519,543
Net premiums written	1,139,731,395	225,175,372	95,792,447	1,460,699,214
Net premiums earned	1,004,942,571	130,351,861	46,465,777	1,181,760,209
Net claims incurred	(935,390,648)	(103,701,177)	(10,288,026)	(1,049,379,851)
Policy acquisition costs	(7,209,734)	(10,222,335)	(16,513,227)	(33,945,296)
Reinsurance commission income	20,357,919	892,602	36,437,481	57,688,002
Net underwriting result	82,700,108	17,320,951	56,102,005	156,123,064
General and administrative expenses				(127,298,166)
Special commission income and other income				21,432,738
Insurance operations' surplus				50,257,636



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12. SEGMENTAL INFORMATION (Continued)

*Operating segments (Continued)*

*For the six month period ended June 2012  
(Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	1,185,312,335	150,645,815	268,568,805	1,604,526,955
Net premiums written	971,295,668	144,383,118	56,759,877	1,172,438,663
Net premiums earned	860,228,358	91,143,825	40,773,272	992,145,455
Net claims incurred	(773,639,954)	(77,906,600)	(5,753,098)	(857,299,652)
Policy acquisition costs	(31,380,185)	(8,464,888)	(11,123,934)	(50,969,007)
Reinsurance commission income	13,343,230	869,642	29,480,984	43,693,856
Net underwriting result	68,551,449	5,641,979	53,377,224	127,570,652
General and administrative expenses				(110,222,526)
Special commission income and other income				17,559,206
Insurance operations' surplus				34,907,332

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

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	738,100,917	82,197,281	176,083,086	996,381,284
Net premiums written	620,538,257	84,206,240	52,158,265	756,902,762
Net premiums earned	512,797,829	71,284,388	25,973,789	610,056,006
Net claims incurred	(497,771,015)	(55,624,135)	(7,155,631)	(560,550,781)
Policy acquisition costs	6,852,350	(4,815,769)	(6,172,203)	(4,135,622)
Reinsurance commission income	15,714,717	257,488	13,415,283	29,387,488
Net underwriting result	37,593,881	11,101,972	26,061,238	74,757,091
General and administrative expenses				(66,980,147)
Special commission income and other income				9,482,366
Insurance operations' surplus				17,259,310

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12. SEGMENTAL INFORMATION (Continued)

For the three month period ended June 2012  
(Unaudited)

	Medical SR	Motor SR	Others SR	Total SR
<b>Insurance operations</b>				
Gross premiums written	545,877,686	54,329,108	133,657,985	733,864,779
Net premiums written	445,684,212	52,310,534	21,032,881	519,027,627
Net premiums earned	451,605,538	45,224,791	18,139,168	514,969,497
Net claims incurred	(439,609,284)	(37,346,003)	(3,126,541)	(480,081,828)
Policy acquisition costs	(16,364,312)	(4,465,475)	(5,542,795)	(26,372,582)
Reinsurance commission income	6,146,576	508,589	12,567,640	19,222,805
Net underwriting result	1,778,518	3,921,902	22,037,472	27,737,892
General and administrative expenses				(53,617,884)
Special commission income and other income				8,912,747
Insurance operations' surplus				(16,967,245)

As at 30 June 2013  
(Unaudited)

	Medical SR	Motor SR	Others SR	Total SR
<b>Insurance operations' assets</b>				
Reinsurers' share of unearned premiums	191,145,100	2,904,718	440,670,935	634,720,753
Reinsurers' share of outstanding claims	314,161,945	7,026,591	474,366,987	795,555,523
Deferred policy acquisition costs	54,784,509	9,050,442	20,997,870	84,832,821
Unallocated assets				2,182,964,008
				3,698,073,105
<b>Insurance operations' liabilities</b>				
Gross unearned premiums	1,274,300,669	178,758,887	545,587,258	1,998,646,814
Unearned reinsurance commission	-	865,425	44,775,636	45,641,061
Gross outstanding claims	598,764,077	72,942,576	497,277,220	1,168,983,873
Unallocated liabilities				484,801,357
				3,698,073,105

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12. SEGMENTAL INFORMATION (Continued)

*Operating segments (Continued)*

<i>As at 31 December 2012 (Audited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations' assets</i></b>				
Reinsurers' share of unearned premiums	167,358,837	2,011,862	464,673,790	634,044,489
Reinsurers' share of outstanding claims	238,913,019	3,353,199	355,093,277	597,359,495
Deferred policy acquisition costs	14,116,048	4,379,341	16,522,716	35,018,105
Unallocated assets				1,922,804,355
				<u>3,189,226,444</u>
<b><i>Insurance operations' liabilities</i></b>				
Gross unearned premiums	1,115,725,582	83,032,963	519,893,672	1,718,652,217
Unearned reinsurance commission	-	630,544	49,270,944	49,901,488
Gross outstanding claims	537,240,430	69,651,461	370,814,594	977,706,485
Unallocated liabilities				442,966,254
				<u>3,189,226,444</u>

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period was calculated by dividing the net income for the period by the weighted average number of shares issued and outstanding during the period amounting to 100 million shares. Basic and diluted earnings per share for the prior periods have been adjusted with the effect of 25% bonus share issue (note 14).

14. SHARE CAPITAL

The shareholders in their general assembly meeting held on 2 June 2013 (corresponding to 23 Rajab 1434H) have approved the bonus issue (25% bonus per share). The Company has received an approval from SAMA for the bonus share issuance on 20 March 2013 (corresponding to 8 Jumada Al Awwal 1434H) and from the Capital Market Authority (CMA) on 20 April 2013 (corresponding to 10 Jumada Al Thani 1434H). As a result of bonus shares issue, the share capital of the Company has increased to SR 1 billion comprising of 100 million issued and paid up shares. While bonus shares issued to shareholders, the company still in process of updating the Commercial Registration, the Company's Bye-laws and other related documents.

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

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 7 Ramadan 1434H (corresponding to 15 July 2013).