

---

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

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

**FOR THE THREE MONTH PERIOD ENDED  
31 MARCH 2014**

---

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

**Unaudited Interim Condensed Financial Statements and Independent Auditors' Review Report**  
**For the three month period ended 31 March 2014**

---

<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Review Report	1
Statement of Financial Position	2 – 3
Interim Statement of Insurance Operations and Accumulated Surplus	4
Interim Statement of Shareholders' Operations	5
Interim Statement of Shareholders' Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Insurance Operations' Cash Flows	8
Interim Statement of Shareholders' Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 – 20



KPMG Al Fozan & Al Sadhan



## REVIEW REPORT

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

### SCOPE OF REVIEW

We have reviewed the accompanying interim statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2014, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three months period then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the three months period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

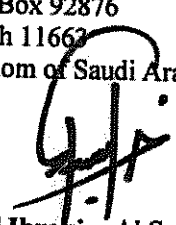
### CONCLUSION

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


### EMPHASIS OF MATTER

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

KPMG Al Fozan & Al Sadhan  
P. O. Box 92876  
Riyadh 11662  
Kingdom of Saudi Arabia

  
Khalil Ibrahim Al Sedais  
Certified Public Accountant  
Licence No. 371

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

  
Khalid A. Mahdhar  
Certified Public Accountant  
Licence No. 368

20 Jumada II 1435H  
20 April 2014



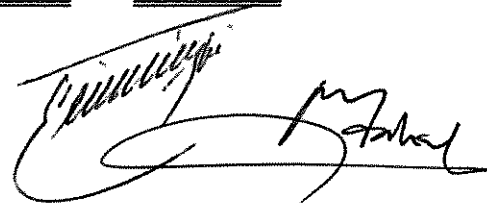
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

(Amounts in SR)

		31 March 2014 (Unaudited)	31 December 2013 (Audited)
	Notes		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	589,572,840	686,594,970
Time deposits	6	308,044,224	129,639,726
Premiums and reinsurance balances receivable	7	1,553,453,407	1,240,053,958
Investments	8a	101,039,287	90,875,000
Due from related parties	11a	74,263,326	68,839,113
Due from shareholders' operations		-	268,878,984
Reinsurers' share of outstanding claims		643,551,714	605,687,165
Reinsurers' share of unearned premiums		904,722,205	919,402,928
Deferred policy acquisition costs		193,184,919	174,854,095
Prepayments and other assets		280,082,973	118,096,148
Property and equipment, net		41,551,619	39,586,774
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>4,689,466,514</b>	<b>4,342,508,861</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	48,900,361	322,102,719
Time deposits	6	72,820,622	126,149,039
Due from insurance operations		108,753,340	-
Investments	8b	214,113,962	211,127,052
Prepayments and other assets		2,530,216	2,787,249
Investment in an associate	9	6,000,000	6,000,000
Land		30,000,000	30,000,000
Statutory deposit	10	100,000,000	100,000,000
Goodwill		480,000,000	480,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>1,063,118,501</b>	<b>1,278,166,059</b>
<b>TOTAL ASSETS</b>		<b>5,752,585,015</b>	<b>5,620,674,920</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 31 March 2014

(Amounts in SR)

	Notes	31 March 2014 (Unaudited)	31 December 2013 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Gross outstanding claims		1,632,391,127	1,451,905,914
Due to related parties	11a	21,928,007	12,080,783
Due to shareholders' operations		108,753,340	-
Accounts and commission payable		98,121,975	73,314,933
Accrued expenses and other liabilities		91,461,001	78,858,790
Reinsurance balances payable		206,643,923	294,402,083
Surplus distribution payable		91,024,489	85,595,806
Unearned reinsurance commission		50,031,682	39,772,672
Gross unearned premiums		2,381,144,097	2,298,631,011
Other reserves		6,183,095	6,327,378
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>4,687,682,736</b>	<b>4,340,889,370</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Cumulative change in fair values of available for sale investments	8a	1,783,778	1,619,491
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>4,689,466,514</b>	<b>4,342,508,861</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		689,500	899,500
Provision for zakat and income tax		19,175,010	12,453,909
Due to insurance operations		-	268,878,984
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>19,864,510</b>	<b>282,232,393</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	1,000,000,000	1,000,000,000
Statutory reserve	15	139,374,369	139,374,369
Accumulated deficit		(115,604,271)	(159,694,752)
Cumulative change in fair values of available for sale investments	8b	19,483,893	16,254,049
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,043,253,991</b>	<b>995,933,666</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,063,118,501</b>	<b>1,278,166,059</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>5,752,585,015</b>	<b>5,620,674,920</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)

	Note	31 March 2014 (Unaudited)	31 March 2013 (Unaudited)
Gross premiums written		1,163,595,290	911,138,259
Less: Reinsurance premiums ceded		(257,893,394)	(197,509,268)
Excess of loss premiums		(3,865,957)	(9,832,539)
<b>NET PREMIUMS WRITTEN</b>		<b>901,835,939</b>	<b>703,796,452</b>
Change in unearned premiums, net		(97,193,809)	(132,036,442)
Change in other reserves		144,284	(55,807)
<b>NET PREMIUMS EARNED</b>		<b>804,786,414</b>	<b>571,704,203</b>
Gross claims paid and other expenses		(672,972,887)	(671,136,549)
Reinsurers' share of gross claims paid		139,863,395	153,860,649
Change in outstanding claims, net		(142,620,664)	28,446,830
<b>NET CLAIMS INCURRED</b>		<b>(675,730,156)</b>	<b>(488,829,070)</b>
Policy acquisition costs		(40,895,027)	(29,809,674)
Reinsurance commission income		19,243,583	28,300,514
<b>NET UNDERWRITING RESULT</b>		<b>107,404,814</b>	<b>81,365,973</b>
General and administrative expenses		(72,924,085)	(60,318,019)
Special commission income		3,022,784	1,850,537
Other income		16,783,313	10,099,835
<b>INSURANCE OPERATIONS' SURPLUS</b>		<b>54,286,826</b>	<b>32,998,326</b>
Shareholders' appropriation from insurance operations' surplus	2	(48,858,143)	(29,698,494)
<b>ACCUMULATED SURPLUS AT THE END OF THE PERIOD</b>		<b>5,428,683</b>	<b>3,299,832</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)

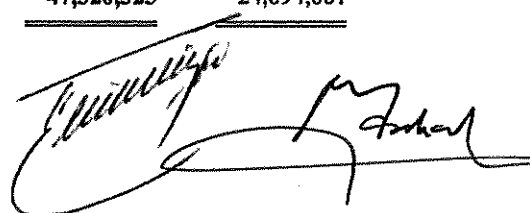
	<i>Note</i>	<i>31 March 2014 (Unaudited)</i>	<i>31 March 2013 (Unaudited)</i>
<b>INCOME</b>			
Shareholders' appropriation from insurance operations' surplus	2	48,858,143	29,698,494
Special commission income		3,055,388	3,667,170
Realised (loss) on sale of available for sale investments		(233,615)	-
Dividend income on available for sale investments		105,143	102,903
		<u>51,785,059</u>	<u>33,468,567</u>
<b>EXPENSES</b>			
General and administrative		(973,477)	(2,784,726)
		<u>50,811,582</u>	<u>30,683,841</u>
<b>NET INCOME FOR THE PERIOD</b>			
		<u>50,811,582</u>	<u>30,683,841</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD</b>	13	<u>0.508</u>	<u>0.307</u>

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

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

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

	<i>31 March 2014 (Unaudited)</i>	<i>31 March 2013 (Unaudited)</i>
<b>NET INCOME FOR THE PERIOD</b>	<b>50,811,582</b>	<b>30,683,841</b>
<b>OTHER COMPREHENSIVE (LOSS)</b>		
Zakat and income tax	(6,721,101)	(6,682,354)
Change in fair values of available for sale investments	3,229,844	893,394
Other comprehensive (loss) for the period	(3,491,257)	(5,788,960)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>47,320,325</b>	<b>24,894,881</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 CHANGES IN SHAREHOLDERS' EQUITY

For the three month period ended 31 March 2014

(Amounts in SR)

<i>Notes</i>	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained (deficit) / earnings</i>	<i>Cumulative change in fair values of available for sale investments</i>	<i>Total</i>
Balance at 1 January 2014 (Audited)	<u>1,000,000,000</u>	<u>139,374,369</u>	<u>(159,694,752)</u>	<u>16,254,049</u>	<u>995,933,666</u>
Net income for the period	-	-	50,811,582	-	50,811,582
Other comprehensive (loss) / income for the period	-	-	(6,721,101)	3,229,844	(3,491,257)
Total comprehensive income for the period	-	-	44,090,481	3,229,844	47,320,325
Balance at 31 March 2014 (Unaudited)	<u>1,000,000,000</u>	<u>139,374,369</u>	<u>(115,604,271)</u>	<u>19,483,893</u>	<u>1,043,253,991</u>
Balance at 1 January 2013 (Audited)	<u>800,000,000</u>	<u>139,374,369</u>	<u>237,497,478</u>	<u>9,283,283</u>	<u>1,186,155,130</u>
Net income for the period	-	-	30,683,841	-	30,683,841
Other comprehensive (loss) / income for the period	-	-	(6,682,354)	893,394	(5,788,960)
Total comprehensive income for the period	-	-	24,001,487	893,394	24,894,881
Balance at 31 March 2013 (Unaudited)	<u>800,000,000</u>	<u>139,374,369</u>	<u>261,498,965</u>	<u>10,176,677</u>	<u>1,211,050,011</u>

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

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three month period ended 31 March 2014

(Amounts in SR)

	Note	31 March 2014 (Unaudited)	31 March 2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Insurance operations' surplus after shareholders' appropriation		5,428,683	3,299,832
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from operating activities:</i>			
Depreciation		3,383,621	2,029,869
Commission income on available for sale investment		-	(171,617)
Special commission income		(2,107,108)	(1,678,920)
Gain on sale of property and equipment, net		(571)	(272,433)
Gross unearned premiums		82,513,086	121,615,211
Reinsurers' share of unearned premiums		14,680,723	10,421,231
<i>Cash from operations</i>		<u>103,898,434</u>	<u>135,243,173</u>
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurance balances receivable		(313,399,449)	(3,744,702)
Due from related parties		9,847,224	-
Due to related parties		(5,424,213)	(14,157,147)
Reinsurers' share of outstanding claims		(37,864,549)	(36,752,689)
Deferred policy acquisition costs		(18,330,824)	(17,587,998)
Prepayments and other assets		(161,986,825)	(104,616,308)
Gross outstanding claims		180,485,213	8,305,859
Due from shareholders' operations, net		377,632,324	13,324,707
Accounts and commissions payable		24,807,042	16,801,490
Accrued expenses and other liabilities		12,602,211	15,546,368
Reinsurance balances payable		(87,758,160)	30,156,132
Unearned reinsurance commission		10,259,010	(1,743,771)
Other reserves		(144,283)	55,807
<i>Net cash from operating activities</i>		<u>94,623,155</u>	<u>40,830,921</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		(178,404,498)	(795,589)
Special commission income		2,107,108	1,678,920
Proceeds from sale of property and equipment		1,900	391,715
Purchase of available for sale investments		(10,000,000)	-
Purchase of property and equipment		(5,349,795)	(1,028,626)
<i>Net cash (used in) / from investing activities</i>		<u>(191,645,285)</u>	<u>246,420</u>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(97,022,130)</u>	<u>41,077,341</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<u>686,594,970</u>	<u>282,656,404</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<u><u>589,572,840</u></u>	<u><u>323,733,745</u></u>

Non-cash transaction:

Change in fair values of available for sale investments

164,287	35,625
---------	--------

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

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three month period ended 31 March 2014

(Amounts in SR)

	Notes	31 March 2014 (Unaudited)	31 March 2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period		50,811,582	30,683,841
<i>Adjustments for:</i>			
Special commission income		(3,055,388)	(3,667,170)
Dividend income on available for sale investments		(105,143)	(102,903)
Realised gains on sale of available for sale investments		233,615	-
Impairment on investment in an associate	9	-	2,000,000
Cash from operations		47,884,666	28,913,768
<i>Changes in operating assets and liabilities:</i>			
Due to insurance operations, net		(377,632,324)	(13,324,707)
Accrued expenses and other liabilities		(210,000)	418,531
Zakat and income tax paid		-	(15,316,002)
Prepayments and other assets		257,033	(349,053)
Net cash (used in) / from operating activities		(329,700,625)	342,537
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		53,328,417	(416,165)
Proceeds from sale of available for sale investments		9,319	10,267
Special commission income		3,055,388	3,667,170
Dividend income on available for sale investments		105,143	102,903
Net cash from investing activities		56,498,267	3,364,175
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(273,202,358)	3,706,712
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	322,102,719	286,624,155
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	48,900,361	290,330,867
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		3,229,844	893,394
Investment Transferred from insurance operation			12,000,000

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

31 March 2014

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

**2. BASIS OF PREPARATION**

*Basis of measurement*

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

*Statement of compliance*

The accompanying interim condensed financial statements for the three month period ended 31 March 2014 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 2013.

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

The insurance operations' surplus of the Company for the three month period ended 31 March 2014 amounted to SR 54,286,826 (31 March 2013: SR. 32,998,326). Accordingly, 90% of insurance operation surplus amounting to SR 48,858,143 (31 March 2013: SR. 29,698,494) has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 5,428,683 as at 31 March 2014 (31 March 2013: SR 3,299,832).

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 presented 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 currency of the Company. All financial information presented has been rounded off to the nearest SAR.

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

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 2013. The Company has adopted the following new standards and amendment, which are effective for the Company's financial years starting 2013 and thereafter. Adoption of these standards will not result any significant impact on Company's financial statements:

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

---

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

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

*New and amended standards issued and adopted*

*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 realise 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.

*IAS 36- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*

The amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

*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. On 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

5. CASH AND CASH EQUIVALENTS

	31 March 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	508,949,261	28,838,694	478,291,081	20,958,696
Short term time deposits	80,623,579	20,061,667	208,303,889	301,143,483
	<u>589,572,840</u>	<u>48,900,361</u>	<u>686,594,970</u>	<u>322,102,719</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 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 0.89% per annum (31 December 2013: 2.66% 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 banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1.1% per annum (31 December 2013: 1.8% per annum).

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

7. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premiums receivable	1,515,879,448	1,254,544,899
Less: Provision for doubtful debts	(134,768,571)	(138,286,694)
	<u>1,381,110,877</u>	<u>1,116,258,205</u>
Reinsurance balances receivable	179,075,491	127,010,591
Less: Provision for doubtful debts	(6,732,961)	(3,214,838)
	<u>172,342,530</u>	<u>123,795,753</u>
	<u>1,553,453,407</u>	<u>1,240,053,958</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

8. INVESTMENTS

(a) Insurance operations – Available for sale investments

	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Mutual funds	52,459,475	52,341,125
Bonds	48,579,812	38,533,875
<b>Total available for sale investments</b>	<b>101,039,287</b>	<b>90,875,000</b>

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

	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
At the beginning of the period / year	90,875,000	110,373,947
Purchase / (sold) during the period / year	10,000,000	(20,000,000)
	100,875,000	90,373,947
Net change in fair values	164,287	501,053
At the end of the period / year	101,039,287	90,875,000

The cumulative change as of 31 March 2014 in fair values of available for sale investments for insurance operations amounting to SR 1,783,778 (31 December 2013: SR 1,619,491) is presented within insurance operations' surplus' in the interim statement of financial position.

(b) Shareholders' operations – Available for sale investments

	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Mutual funds	89,407,874	86,148,467
Bonds	36,258,188	36,539,925
Sukuks	69,697,900	69,688,660
Equities	18,750,000	18,750,000
<b>Total available for sale investments</b>	<b>214,113,962</b>	<b>211,127,052</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

8. INVESTMENTS (Continued)

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

	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
At the beginning of the period / year	211,127,052	196,858,681
Purchased during the period / year	-	29,972,505
Sold during the period / year	(9,319)	(22,512,592)
	211,117,733	204,318,594
Realised Loss	(233,615)	(162,308)
Net change in fair values	3,229,844	6,970,766
At the end of the period / year	214,113,962	211,127,052

The cumulative change as of 31 March 2014 in fair values of available for sale investments for shareholders' operations amounting to SR 19,483,893 (31 December 2013: SR 16,254,049) is presented within shareholders' equity in the interim 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 prices in active markets for the same instrument (i.e. without modification or repacking).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

	31 March 2014			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Available for sale investments				
Mutual funds	134,652,349	7,215,000	-	141,867,349
Bonds	74,838,000	-	-	74,838,000
Sukuk	28,693,160	51,004,740	-	79,697,900
Total available for sale investments	238,183,509	58,219,740	-	296,403,249



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

8. INVESTMENTS (Continued)

	31 December 2013			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	130,959,592	7,530,000	-	138,489,592
Bonds	75,073,800	-	-	75,073,800
Sukuk	28,693,160	40,995,500	-	69,688,660
<i>Total available for sale investments</i>	<u>234,726,552</u>	<u>48,525,500</u>	<u>-</u>	<u>283,252,052</u>

The unlisted securities amounting to SR 18,750,000 were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 6,000,000 (a 25% equity interest) (2013: SR 6,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia. During 2013, the Company has impaired the investment by SR 8,000,000 due to the losses made by the associate.

10. STATUTORY DEPOSIT

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

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:

Related parties	Nature of transaction	Amount of transaction for the twelve months period ended		Balance	
		31 March 2014 (Unaudited) SR	31 March 2013 (Unaudited) SR	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
<b>Due from related parties</b>					
Medgulf BSC (shareholder)	Claims payments, recovery of premiums for group policies and other expenses paid on behalf of Medgulf BSC	1,162,413	13,804,331	48,763,844	47,601,431
Motion al-Saudia (affiliate)	Operational expenditures paid on behalf of affiliate	-	(14,056)	10,924,474	10,924,474
Addison Bradley Arabia- KSA (affiliate)	Operational expenditures paid on behalf of affiliate	3,037,425	1,147,313	13,058,751	10,021,326
Other related parties		1,224,375	1,558,972	1,516,257	291,882
				74,263,326	68,839,113
<b>Due to related parties</b>					
Medivisa KSA (affiliate)	Claims administration fee (for medical) and Operational expenditures, net	(5,794,311)	606,981	(15,686,741)	(9,892,430)
Al Samya Trading Co (affiliate)	Brokers commissions	(4,052,913)	321,469	(6,241,266)	(2,188,353)
Other related parties		-	1,410,962	-	-
				(21,928,007)	(12,080,783)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Amount of transaction for the three months period ended</u>		<u>Balance</u>	
		<u>31 March 2014</u> <u>(Unaudited)</u> <u>SR</u>	<u>31 March 2013</u> <u>(Unaudited)</u> <u>SR</u>	<u>31 March 2014</u> <u>(Unaudited)</u> <u>SR</u>	<u>31 December 2013</u> <u>(Audited)</u> <u>SR</u>
The Saudi Investment Bank. (Founding shareholders)	- Current account and time deposit	(2,250,164)	-	106,475,328	108,725,492
	- Commission income on time deposits	288,343	210,670	519,019	230,676
Other related parties	- Gross premiums written	29,520,637	22,258,606	24,475,082	9,402,435
	- Claims incurred	(6,811,749)	(6,457,359)	(684,786)	(920,397)
	- Premiums ceded	7,058,302	17,534,799	(1,931,806)	8,990,108
	- Brokerage commission	1,272,830	165,389	1,414,893	1,410,622

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

	<u>For the three month period ended</u>	
	<u>31 March 2014</u> <u>(Unaudited)</u> <u>(SR)</u>	<u>31 March 2013</u> <u>(Unaudited)</u> <u>(SR)</u>
Short term benefits	3,271,340	4,128,495
End of service benefits	94,937	81,980
	<u>3,366,277</u>	<u>4,210,475</u>

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

12. SEGMENTAL INFORMATION (Continued)

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

*Operating segments*

*For the three month period ended  
March 2014 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	843,301,597	175,145,734	145,147,959	1,163,595,290
Net premiums written	716,806,357	146,826,099	38,203,483	901,835,939
Net premiums earned	690,109,787	94,097,833	20,578,794	804,786,414
Net claims incurred	(586,607,091)	(85,356,913)	(3,766,152)	(675,730,156)
Policy acquisition costs	(31,971,678)	(5,379,338)	(3,544,011)	(40,895,027)
Reinsurance commission income	12,649,524	2,538,674	4,055,385	19,243,583
Net underwriting result	84,180,542	5,900,256	17,324,016	107,404,814
General and administrative expenses				(72,924,085)
Special commission income and other income				19,806,097
Insurance operations' surplus				54,286,826

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

31 March 2014

12. SEGMENTAL INFORMATION (Continued)

*Operating segments (Continued)*

<i>As at 31 March 2014 (Unaudited)</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	211,770,557	47,298,448	645,653,200	904,722,205
Reinsurers' share of outstanding claims	208,465,331	27,520,114	407,566,269	643,551,714
Deferred policy acquisition costs	142,741,689	14,450,020	35,993,210	193,184,919
Unallocated assets	-	-	-	2,948,007,676
				<u>4,689,466,514</u>
<b><i>Insurance operations' liabilities</i></b>				
Gross unearned premiums	1,411,803,713	236,492,238	732,848,146	2,381,144,097
Unearned reinsurance commission	-	2,751,695	47,279,987	50,031,682
Gross outstanding claims	1,098,317,075	102,023,820	432,050,232	1,632,391,127
Unallocated liabilities	-	-	-	625,899,608
				<u>4,689,466,514</u>
 <i>As at 31 December 2013 (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	242,708,330	24,749,519	651,945,079	919,402,928
Reinsurers' share of outstanding claims	168,344,497	22,158,634	415,184,034	605,687,165
Deferred policy acquisition costs	142,318,219	5,371,905	27,163,971	174,854,095
Unallocated assets	-	-	-	2,642,564,673
				<u>4,342,508,861</u>
<b><i>Insurance operations' liabilities</i></b>				
Gross unearned premiums	1,416,044,916	161,136,803	721,449,292	2,298,631,011
Unearned reinsurance commission	-	557,769	39,214,903	39,772,672
Gross outstanding claims	913,459,313	99,791,953	438,654,648	1,451,905,914
Unallocated liabilities	-	-	-	552,199,264
				<u>4,342,508,861</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.

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

---

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**(UNAUDITED) (Continued)**

**31 March 2014**

**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 Bye-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.

**16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 16 Jumada Al-Thaani 1435H (corresponding to 16 April 2014).