

---

**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 MONTH PERIOD ENDED  
31 MARCH 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 month period ended 31 March 2016

---

<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Review Report	1
Statement of Interim Financial Position	2 – 3
Interim Statement of Income - Insurance Operations and Accumulated Surplus	4
Interim Statement of Insurance Operation' Comprehensive Income	5
Interim Statement of Income - Shareholders' Operations	6
Interim Statement of Shareholders' Comprehensive Income / (Loss)	7
Interim Statement of Changes in Shareholders' Equity	8
Interim Statement of Insurance Operations' Cash Flows	9
Interim Statement of Shareholders' Cash Flows	10
Notes to the Interim Condensed Financial Statements	11 – 26



**Aldar Audit Bureau**  
Abdullah Al Basri & Co.  
Member Firm of Grant Thornton International

**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 2016 and the related interim statements of income and comprehensive income - insurance operations and accumulated surplus, income and comprehensive income - shareholders' operations, changes in shareholders' equity and cash flows for insurance and shareholders' operations for the three - month period ended 31 March 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.

**EMPHASIS 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 period ended 31 March 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.



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

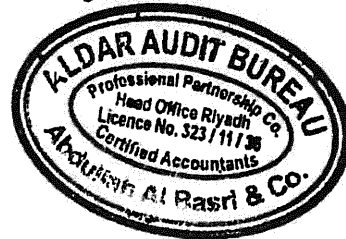
**Khalid A. Mahdhar**  
Certified Public Accountant  
Licence No. 368



**Aldar Audit Bureau**  
**Abdullah Al Basri & Co.**  
Member Firm of Grant Thornton International

**Aldar Audit Bureau**  
**Abdullah Al Basri & Co.**  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi  
Arabia

**Abdullah M. Al Basri**  
Certified Public Accountant  
Registration No. 171



14 Rajab 1437H  
21 April 2016

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

(Amounts in SR'000)

		<b>31 March 2016 (Unaudited)</b>	<b>31 December 2015 (Audited)</b>
	<i>Notes</i>		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Bank balances and cash	5	743,266	595,318
Time deposits	6	121,951	197,790
Policyholders' and reinsurance balances receivable	7	1,689,052	1,688,147
Investments	8a, 11a(ii)	59,601	60,224
Due from related parties	11a	981	72,606
Due from shareholders' operations		147,669	157,118
Reinsurers' share of outstanding claims		604,346	671,314
Reinsurers' share of unearned premiums		688,335	713,158
Deferred policy acquisition costs		189,288	181,807
Prepayments and other assets		185,687	54,851
Property and equipment, net		55,392	55,219
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>4,485,568</b>	<b>4,447,552</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	110,099	108,912
Time deposits	6	96,052	96,052
Investments	8b, 11a(ii)	240,715	242,014
Prepayments and other assets		2,691	1,782
Investment in an associate	9	12,095	12,095
Land		30,000	30,000
Statutory deposit	10	107,757	107,757
Goodwill		480,000	480,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>1,079,409</b>	<b>1,078,612</b>
<b>TOTAL ASSETS</b>		<b>5,564,977</b>	<b>5,526,164</b>

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 31 March 2016

(Amounts in SR'000)

	Notes	31 March 2016 (Unaudited)	31 December 2015 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Gross outstanding claims		1,519,008	1,664,788
Due to related parties	11a	50,210	40,589
Accounts and commission payable		208,383	211,837
Accrued expenses and other liabilities		115,923	156,593
Reinsurance balances payable		97,662	120,216
Surplus distribution payable		108,091	106,591
Unearned reinsurance commission		47,265	56,315
Gross unearned premiums		2,297,818	2,054,448
Other claim reserves		39,281	34,350
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>4,483,641</b>	<b>4,445,727</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Cumulative change in fair values of available for sale investments	8a	1,927	1,825
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>4,485,568</b>	<b>4,447,552</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		8,519	8,519
Provision for zakat and income tax		2,286	844
Due to insurance operations		147,669	157,118
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>158,474</b>	<b>166,481</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	1,000,000	1,000,000
Statutory reserve	15	146,135	146,135
Accumulated deficit		(239,778)	(249,265)
Cumulative change in fair values of available for sale investments	8b	14,578	15,261
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>920,935</b>	<b>912,131</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,079,409</b>	<b>1,078,612</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>5,564,977</b>	<b>5,526,164</b>

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)

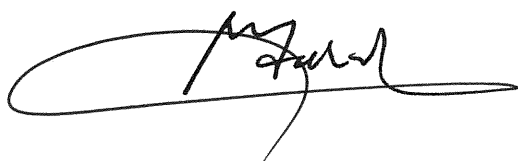
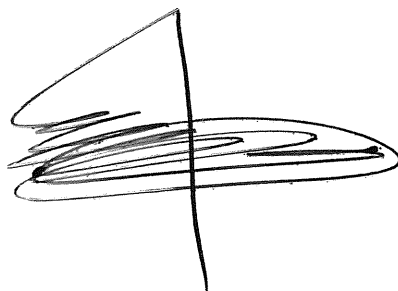
	<i>31 March 2016 (Unaudited)</i>	<i>31 March 2015 (Unaudited)</i>
<i>Note</i>		
Gross premiums written	1,233,582	1,515,760
Reinsurance premiums ceded	(154,725)	(213,405)
Excess of loss premiums	(3,824)	(2,763)
<b>NET PREMIUMS WRITTEN</b>	<b>1,075,033</b>	<b>1,299,592</b>
Change in unearned premiums, net	(268,193)	(470,794)
<b>NET PREMIUMS EARNED</b>	<b>806,840</b>	<b>828,798</b>
Gross claims paid and other expenses	(881,058)	(900,340)
Reinsurers' share of gross claims paid	132,951	216,353
Change in outstanding claims, net	78,812	(101,737)
Change in other claim reserves	(4,931)	(5,932)
<b>NET CLAIMS INCURRED</b>	<b>(674,226)</b>	<b>(791,656)</b>
Policy acquisition costs	(64,383)	(51,694)
Reinsurance commission income	37,678	52,772
<b>NET UNDERWRITING RESULT</b>	<b>105,909</b>	<b>38,220</b>
General and administrative expenses	(100,864)	(96,200)
Impairment losses on available for sale investments	(725)	-
Special commission income	2,829	1,356
Other income	7,852	16,498
<b>INSURANCE OPERATIONS' SURPLUS / (DEFICIT)</b>	<b>15,001</b>	<b>(40,126)</b>
Shareholders' appropriation from insurance operations' (surplus) / deficit	2 (13,501)	40,126
<b>ACCUMULATED SURPLUS AT THE END OF THE PERIOD</b>	<b>1,500</b>	<b>-</b>

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' COMPREHENSIVE INCOME  
(Amounts in SR'000)

	Note	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
<b>INSURANCE OPERATION' SURPLUS AFTER SHAREHOLDERS' APPROPRIATION</b>		<b>1,500</b>	-
<b>Other comprehensive loss:</b>			
Items that may be reclassified to statement of income in subsequent period			
<u>Available for sale investments</u>			
Change in fair values	8 (a)	(725)	420
Impairment loss transferred to interim statement of income		<b>102</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>877</b>	420

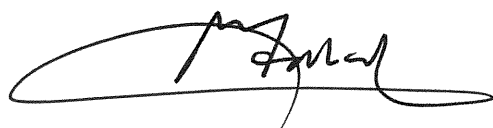
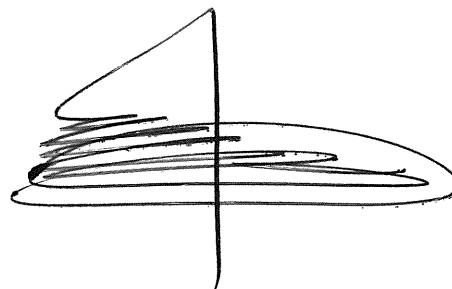





The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS  
(Amounts in SR'000)

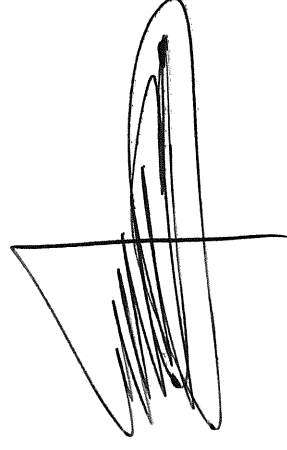
	Notes	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
<b>INCOME</b>			
Shareholders' appropriation from insurance operations' surplus / (deficit)	2	13,501	(40,126)
Special commission income		1,741	1,514
Dividend income on available for sale investments		-	208
Income from investment in an associate		-	2,723
		<b>15,242</b>	<b>(35,681)</b>
<b>EXPENSES</b>			
General and administrative		(864)	(2,927)
Impairment losses on available for sale investments	8b	(616)	(13,751)
		<b>(1,480)</b>	<b>(16,678)</b>
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>		<b>13,762</b>	<b>(52,359)</b>
<b>BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE FOR THE PERIOD</b>	13	<b>0.14</b>	<b>(0.52)</b>

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

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME  
(Amounts in SR'000)

	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>	<b>13,762</b>	<b>(52,359)</b>
<b>Other comprehensive income / (loss) :</b>		
<b>Items that will not be reclassified to interim statement of income in subsequent period</b>		
<u>Zakat and income tax</u>	<b>(4,275)</b>	<b>(2,039)</b>
<b>Items that may be reclassified to interim statement of income in subsequent period</b>		
<u>Available for sale investments</u>		
Change in fair values	<b>(1,299)</b>	<b>1,808</b>
Impairment loss transferred to interim statement of income	<b>616</b>	<b>13,751</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>8,804</b>	<b>(38,839)</b>

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 2016  
(Amounts in SR'000)

	Share capital	Statutory reserve	Accumulated deficit	Cumulative change in fair value of available for sale investments	Total
<b>Balance at 1 January 2016 (Audited)</b>	<b>1,000,000</b>	<b>146,135</b>	<b>(249,265)</b>	<b>15,261</b>	<b>912,131</b>
Total comprehensive income / (loss) for the period:					
Net income for the period	-	-	13,762	-	13,762
Zakat and income tax	-	-	(4,275)	-	(4,275)
Change in fair values	-	-	-	(1,299)	(1,299)
Impairment loss transferred to interim statement of income shareholders' operations	-	-	-	616	616
<b>Balance at 31 March 2016 (Unaudited)</b>	<b>1,000,000</b>	<b>146,135</b>	<b>(239,778)</b>	<b>14,578</b>	<b>920,935</b>
<b>Balance at 1 January 2015 (Audited)</b>	<b>1,000,000</b>	<b>146,135</b>	<b>19,990</b>	<b>9,945</b>	<b>1,176,070</b>
Total comprehensive loss for the period:					
Net loss for the period	-	-	(52,359)	-	(52,359)
Zakat and income tax	-	-	(2,039)	-	(2,039)
Change in fair values	-	-	-	1,808	1,808
Impairment loss transferred to interim statement of income shareholders' operations	-	-	-	13,751	13,751
<b>Balance at 31 March 2015 (Unaudited)</b>	<b>1,000,000</b>	<b>146,135</b>	<b>(34,408)</b>	<b>25,504</b>	<b>1,137,231</b>

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 three month period ended 31 March 2016

(Amounts in SR'000)

	Note	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Insurance operations' surplus after shareholders' appropriation		1,500	-
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from / (utilized) operating activities:</i>			
Depreciation		2,378	2,243
Special commission income		(2,829)	(1,356)
Provision for doubtful debts		15,000	-
Impairment losses on available for sale investment		725	-
<b>Cash from operations</b>		<b>16,774</b>	<b>887</b>
<i>Changes in operating assets and liabilities:</i>			
Gross unearned premiums		243,370	414,718
Reinsurers' share of unearned premiums		24,823	56,076
Policyholders' and reinsurance balances receivable		(15,905)	(625,258)
Due from related parties		71,625	(25)
Due to related parties		9,621	11,082
Reinsurers' share of outstanding claims		66,968	(72,626)
Deferred policy acquisition costs		(7,481)	(46,997)
Prepayments and other assets		(130,836)	(17,316)
Deposit against letters of guarantee		1,826	399
Gross outstanding claims		(145,780)	174,363
Due from / (to) shareholders' operations, net		9,449	(107,886)
Accounts and commissions payable		(3,454)	(102,222)
Accrued expenses and other liabilities		(40,670)	33,600
Reinsurance balances payable		(22,554)	91,256
Unearned reinsurance commission		(9,050)	(16,757)
Other reserves		4,931	5,932
<b>Net cash generated / (utilized) from operating activities</b>		<b>73,657</b>	<b>(200,774)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		75,839	75,199
Special commission income		2,829	1,356
Proceeds from sale of property and equipment		-	74
Purchase of property and equipment		(2,551)	(1,628)
<b>Net cash generated from investing activities</b>		<b>76,117</b>	<b>75,001</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>149,774</b>	<b>(125,773)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>574,244</b>	<b>673,942</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>724,018</b>	<b>548,169</b>

Non-cash transaction:

Change in fair values of available for sale investments

102	420
-----	-----

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 three month period ended 31 March 2016

(Amounts in SR'000)

	Notes	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the period		13,762	(52,359)
<i>Adjustments for:</i>			
Special commission income		(1,741)	(1,514)
Dividend income on available for sale investments		-	(208)
Income from investment in associate		-	(2,723)
Impairment losses on available for sale investment		616	13,751
Cash from operations		12,637	(43,053)
<i>Changes in operating assets and liabilities:</i>			
Due (to) / from insurance operations, net		(9,449)	107,886
Prepayments and other assets		(909)	(250)
Zakat and income tax paid		(2,833)	-
Accrued expenses and other liabilities		-	790
<b>Net cash (used in) / generated from operating activities</b>		<b>(554)</b>	<b>65,373</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		-	(155,118)
Special commission income		1,741	1,514
Dividend income on available for sale investments		-	208
<b>Net cash generated from / (used in) investing activities</b>		<b>1,741</b>	<b>(153,396)</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,187</b>	<b>(88,023)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>108,912</b>	<b>241,619</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>110,099</b>	<b>153,596</b>
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		(683)	15,559

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)

31 March 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 three month period ended 31 March 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 31 December 2015.

As indicated in Note 16 to the accompanying interim condensed financial statements, the Company has initiated the process 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 three month period ended 31 March 2016 amounted to SR 15,001 thousand (31 March 2015: deficit of SR 40,126 thousand). Accordingly, 90% of insurance operation surplus amounting to SR 13,501 thousand was transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 1,500 thousand (31 March 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)

31 March 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.

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 2016

**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.

**5. BANK BALANCES AND CASH**

	<b>31 March 2016</b>		<b>31 December 2015</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
	<b>Insurance operations</b>	<b>Shareholders' operations</b>	<b>Insurance operations</b>	<b>Shareholders' operations</b>
Cash in hand and at banks	451,148	22,954	231,194	2,122
Short-term time deposits	272,870	87,145	343,050	106,790
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>724,018</b>	<b>110,099</b>	<b>574,244</b>	<b>108,912</b>
Deposits against letters of guarantee	19,248	-	21,074	-
	<b>743,266</b>	<b>110,099</b>	<b>595,318</b>	<b>108,912</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 2016

**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 2.73% 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 1.47% 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**

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Policyholders' balances receivable	<b>1,508,437</b>	1,291,600
Less: Provision for doubtful debts	<b>(162,862)</b>	(147,862)
	<b>1,345,575</b>	1,143,738
Reinsurance balances receivable	<b>347,116</b>	548,048
Less: Provision for doubtful debts	<b>(3,639)</b>	(3,639)
	<b>343,477</b>	544,409
<b>Total policyholders' and reinsurance balances receivable</b>	<b>1,689,052</b>	1,688,147

**8. INVESTMENTS**

Investments are classified as set out below:

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

	<i>31 March 2016 (Unaudited) SR'000</i>	<i>31 December 2015 (Audited) SR'000</i>
Mutual funds	<b>33,172</b>	33,070
Sukuk	<b>25,000</b>	25,000
Equities	<b>1,429</b>	2,154
<b>Total</b>	<b>59,601</b>	60,224

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 2016

**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:

	<b>31 March 2016</b> <b>(Unaudited)</b> <b>SR'000</b>	<b>31 December 2015</b> <b>(Audited)</b> <b>SR'000</b>
At the beginning of the period / year	<b>60,224</b>	97,733
Sold during the period / year	-	(37,500)
	<b>60,224</b>	60,233
Realised gain	-	10
Impairment loss	(725)	-
Net change in fair values	<b>102</b>	(19)
At the end of the period / year	<b>59,601</b>	60,224

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 1,927 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**

	<b>31 March 2016</b> <b>(Unaudited)</b> <b>SR'000</b>	<b>31 December 2015</b> <b>(Audited)</b> <b>SR'000</b>
Mutual funds	<b>72,613</b>	74,843
Bonds	<b>97,643</b>	96,139
Sukuk	<b>51,060</b>	51,060
Equities	<b>19,399</b>	19,972
<b>Total</b>	<b>240,715</b>	242,014

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

	<b>31 March 2016</b> <b>(Unaudited)</b> <b>SR'000</b>	<b>31 December 2015</b> <b>(Audited)</b> <b>SR'000</b>
At the beginning of the period / year	<b>242,014</b>	270,415
Sold during the period / year	-	(18,298)
	<b>242,014</b>	252,117
Realised gain	-	774
Impairment loss	(616)	(16,193)
Net change in fair values	<b>(683)</b>	5,316
At the end of the period / year	<b>240,715</b>	242,014

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 2016

**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 14,578 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:

	<b>31 March 2016 (Unaudited)</b>			<b>Total SR'000</b>
	<b>Level 1 SR'000</b>	<b>Level 2 SR'000</b>	<b>Level 3 SR'000</b>	
<i>Available for sale investments</i>				
Mutual funds	105,785	-	-	105,785
Bonds	9,998	87,645	-	97,643
Sukuk	10,064	65,996	-	76,060
Equities	18,905	-	1,923	20,828
<i>Total available for sale investments</i>	<b>144,752</b>	<b>153,641</b>	<b>1,923</b>	<b>300,316</b>

	<b>31 December 2015 (Audited)</b>			<b>Total SR'000</b>
	<b>Level 1 SR'000</b>	<b>Level 2 SR'000</b>	<b>Level 3 SR'000</b>	
<i>Available for sale investments</i>				
Mutual funds	107,913	-	-	107,913
Bonds	9,998	86,141	-	96,139
Sukuk	10,064	65,996	-	76,060
Equities	20,203	-	1,923	22,126
<i>Total available for sale investments</i>	<b>148,178</b>	<b>152,137</b>	<b>1,923</b>	<b>302,238</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 2016

**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. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency (“SAMA”).

**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:

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the period ended</i>		<i>Balance</i>	
		<i>31 March 2016</i>	<i>31 March 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>Due from related parties</b>					
Medgulf BSC - Head office account ( <i>parent company</i> )	-Claims recoveries on behalf of parent company	981	-	-	-
	-Payment received during the period	23,879	-	-	-
	-Balance due from at period end	-	-	981	23,879
Medgulf BSC - Operation account ( <i>parent company</i> )	-Reinsurance recoveries on behalf of parent company	-	4	-	-
	-Payment received during the period	24,206	-	-	-
	-Balance due from at period end	-	-	-	24,206
Medgulf Egypt ( <i>fellow subsidiary</i> )	-Payment received during the period	58	-	-	-
	-Balance due from at period end	-	-	-	58
Medgulf Jordan ( <i>fellow subsidiary</i> )	-Payment received during the period	25	-	-	-
	-Balance due from at period end	-	-	-	25
Motion al-Saudia ( <i>fellow subsidiary</i> ) (in liquidation)	-Payment received during the period	10,924	-	-	-
	-Balance due from at period end	-	-	-	10,924

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 2016

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the period ended</i>		<i>Balance</i>	
		<i>31 March 2016</i>	<i>31 March 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b><u>Due from related parties (continued)</u></b>					
Addison Bradley					
Arabia- KSA – (fellow subsidiary)	-Payment received during the period	13,066	-	-	-
	-Balance due from at period end	-	-	-	13,066
Al Samiya Trading Co (fellow subsidiary)	-Payment received during the period	448	-	-	-
	-Balance due from at period end	-	-	-	448
				<b>981</b>	<b>72,606</b>
<b><u>Due to related parties</u></b>					
Medivisa KSA (fellow subsidiary)	-Insurance premium for employees of fellow subsidiary	3,661	2,795	-	-
	-Third party administration fees	30,175	36,328	-	-
	-Payment medical claim	1,746	-	-	-
	-Claim incurred	25	47	-	-
	-Payment received	10	-	-	-
	-Premium refundable	62	98	-	-
	-Payment on third party administration fees	17,000	22,658	-	-
	-Balance due to at period end	-	-	50,210	40,589
Medivisa Jordan (fellow subsidiary)	-5% service fees paid on behalf of Medgulf KSA	-	68	-	-
				<b>50,210</b>	<b>40,589</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 2016

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the period ended</i>		<i>Balance</i>	
		<i>31 March</i>	<i>31 March</i>	<i>31 March</i>	<i>31 December</i>
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
The Saudi Investment Bank, (Founding shareholders)	-Current account and time deposits	606	668	1,129	523
	-Statutory deposit (refer note 10.a (i))	-	-	107,757	107,757
	-Gross written premiums	96	387	-	-
	- Premiums receivable	-	-	(822)	(664)
	-Claims incurred	595	257	-	-
	-Outstanding claims payable	-	-	(528)	(361)
	-Discretionary portfolio arrangement (refer 11.a (ii))	28	699	55,964	55,163
Al Istithmar Capital (subsidiary of SIB-founding shareholders)	-GCC Equity Fund	(700)	-	8,572	9,272
	-Gross Written Premium	(24)	-	-	-
	- Premiums receivable	-	-	(38)	(14)
Banque de Credit National (Common ownership and directors)	-Current account and time deposits	-	19	-	-
	-Gross written premiums	119	22	-	-
	-Claims incurred	68	-	-	-
Creative solutions restaurants Co. (Under common directorship)	-Premiums receivable	-	-	83	2
	-Medical claim	59	135	-	-
	-Payment on account	67	150	-	-
Sanaya dental care (Under common directorship)	-Balance due to at period / year end	-	-	-	9

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 2016

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		31 March 2016	31 March 2015	31 March 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Medivisa KSA (fellow subsidiary)	-Medical claim Jordan / Balance	825	-	984	159
	-Medical claim Lebanon / Balance	1,092	-	14	-
	-Medical claim Egypt / Balance	136	-	155	19
	-Income on Sukuk	-	46	-	-
Saudi Orix (Shareholders of the parent company)	-Gross written premiums	25,198	25,234	-	-
	-Premiums receivable	-	-	1,108	1,925
	-Claims incurred	6,031	4,431	-	-
	-Outstanding claims payable / recovery	-	-	(114)	(220)
	-Gross written premiums	14,654	11,605	-	-
	-Premiums receivable	-	-	14,781	1,126
Safari Group of companies (common Directorship)	-Claims incurred	3,480	2,228	-	-
	-Claims payable	-	-	(622)	(785)
	-Gross written premiums	-	-	-	-
Prime Health Insurance (fellow subsidiary)	-Medical claim administration fees paid	-	98	-	-
Khalid A. Al Shathry Construction Co. (Under common directorship)	-Gross written premiums	1	18	-	-
	-Premiums receivable	-	-	120	119
	-Claims incurred	25	5	-	-
	- Outstanding claims payable / (recovery)	-	-	1	-

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 2016

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		31 March 2016	31 March 2015	31 March 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Khalid A. Al Shathry- board member (individual motor policies)	-Premiums receivables	-	-	768	831
	-Claims incurred	-	-	-	-
	-Outstanding claims	-	-	11	11
	-Gross written premiums	-	148	-	-
Al Jasamah establishment (Under common directorship)	-Premiums receivables	-	-	-	4
	-Claims incurred	67	93	-	-
	-Outstanding claims	-	-	(4)	(8)
	-Claim recoveries	17,218	-	-	-
Medgulf BSC (parent company)	-Payment received during the period	126,586	-	-	-
	-Receivable / (payable)	-	-	196,525	305,892
	-Reinsurance premiums ceded	-	54	-	-
Addison Bradley Overseas (fellow subsidiary)	-Reinsurance claim recoveries	-	14,435	-	54,527
	-Payment received during the period	54,527	-	-	-
	-Reinsurance claim recoveries payable	2	2	-	2,692
Addison Bradley Arabia Holding LLC (UAE) (fellow subsidiary)	-Payment received during the period	2,692	-	-	-
	-Commission cancellation	10	-	-	-
	-Payment received during the period	31	-	-	-
SIB LLC (UAE) (fellow subsidiary)	-Balance due to at period / year end	-	-	-	(31)
	-Reinsurance receivable / (payable)	-	-	-	3,164
	-Premiums receivable	-	-	-	1,406
Addison Bradley Arabia-KSA (fellow subsidiary)	-Payment received during the period	4,570	-	-	-



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 2016

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		31 March 2016	31 March 2015	31 March 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Addison Bradley Arabia- KSA – Brokerage commission (fellow subsidiary)	-Brokerage commission	-	5	-	-
Addison Bradley Arabia- KSA – reinsurance broker (fellow subsidiary)	-Reinsurance premiums ceded	-	2	-	-
	-Reinsurance claim recoveries	-	194	-	-
	-Collection from recoveries	6,149	-	-	-
Emad J. Baban (individual motor policies of Director)	-Gross written premiums	18	19	-	-
	-Claims incurred	-	-	-	-
Saleh Al-Sagri (individual motor policies of Director)	-Gross written premiums	64	143	-	-
	-Premiums receivable	-	-	-	(8)
	-Claims incurred	2	-	-	-
	-Outstanding claims	-	-	1	-

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.b Compensation of key management personnel

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

	31 March 2016	31 December 2015
	(Unaudited) SR'000	(Audited) SR'000
Short term benefits	3,788	13,178
End of service benefits	163	1,368
	<b>3,951</b>	<b>14,546</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 2016

**12. SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as set out below.

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

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

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

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

*Operating segments*

*For the three-month period ended  
March 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	883,107	238,979	111,496	1,233,582
Net premiums written	882,107	165,955	26,971	1,075,033
Net premiums earned	667,299	110,964	28,577	806,840
Net claims incurred	(576,654)	(92,580)	(4,992)	(674,226)
Policy acquisition costs	(34,477)	(21,320)	(8,586)	(64,383)
Reinsurance commission income	-	23,019	14,659	37,678
Net underwriting result	56,168	20,083	29,658	105,909
General and administrative expenses				(101,589)
Special commission income and other income				10,681
Insurance operations' surplus				15,001

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 2016

12. SEGMENTAL INFORMATION (Continued)

*Operating segments (Continued)*

*For the three-month period ended  
March 2015 (Unaudited )*

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<b><i>Insurance operations</i></b>				
Gross premiums written	1,060,509	288,766	166,485	1,515,760
Net premiums written	1,057,885	203,319	38,388	1,299,592
Net premiums earned	661,151	143,141	24,506	828,798
Net claims incurred	(631,691)	(153,795)	(6,170)	(791,656)
Policy acquisition costs	(36,750)	(6,458)	(8,486)	(51,694)
Reinsurance commission income	20,735	16,816	15,221	52,772
Net underwriting result	13,445	(296)	25,071	38,220
General and administrative expenses				(96,200)
Special commission income and other income				17,854
Insurance operations' deficit				(40,126)

***As at 31 March 2016  
(Unaudited)***

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<b><i>Insurance operations' assets</i></b>				
Reinsurers' share of unearned premiums	-	101,108	587,227	688,335
Reinsurers' share of outstanding claims	4,602	91,900	507,844	604,346
Deferred policy acquisition costs	150,008	9,981	29,299	189,288
Unallocated assets				3,003,599
				4,485,568
<b><i>Insurance operations' liabilities and surplus</i></b>				
Gross unearned premiums	1,306,030	337,025	654,763	2,297,818
Unearned reinsurance commission	-	8,144	39,121	47,265
Gross outstanding claims	729,761	256,450	532,797	1,519,008
Unallocated liabilities				621,477
				4,485,568

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 2016

**12. SEGMENTAL INFORMATION (Continued)**

*Operating segments (Continued)*

As at 31 December 2015 (Audited)	Medical SR'000	Motor SR'000	Other SR'000	Total SR'000
<b><i>Insurance operations' assets</i></b>				
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>
<b><i>Insurance operations' liabilities and surplus</i></b>				
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. Subsequent to period ended 31 March 2016, the Company increased the statutory deposit to 15% of the paid up capital. 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. The Company has initiated the process 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. (Also see Note 1).

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 2016

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

The interim condensed financial statements have been approved by the Board of Directors on Rajab 11, 1437H (corresponding to April 18, 2016).