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

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

**FOR THE THREE AND NINE MONTH PERIOD ENDED
30 SEPTEMBER 2019**

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

Unaudited Interim Condensed Financial Information and Independent Auditors' Review Report
For the three and nine month period ended 30 September 2019

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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION
TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (a Saudi Joint Stock Company) (the "Company") as at 30 September 2019 and the related interim condensed statements of income and comprehensive income for the three and nine month periods then ended and changes in equity and cash flows for the nine months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

Except as explained in the following paragraphs, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION

- 1) As disclosed in note 11 to the accompanying interim condensed financial information, all reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 7 amounting to Saudi Riyals 114.5 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions. Accordingly, management is currently unable to provide a complete list of all related parties balances and transactions which impacts both the presentation and disclosure of related party balances and transactions. Consequently, we were unable to determine whether any adjustments to the presentation and disclosure of the related party balances and transactions were necessary in the accompanying interim condensed financial information.
- 2) As disclosed in note 3, the Company is accounting for its reinsurance transactions related to the general line of business based on their understanding of the contractual terms of the reinsurance agreements. However, such accounting of reinsurance transactions may be subject to different interpretations. As a result, the Company's interim condensed financial information may require adjustments, if the terms of reinsurance agreements are interpreted differently. Management is still securing clarity on the terms of the reinsurance agreements. In the absence of information in this regard, we were unable to determine whether adjustments would be required in the accompanying interim condensed financial information.

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION (Continued)

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

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying interim condensed financial information, which details various communications from SAMA to the Company. The Company did not meet the solvency margin requirements as at 30 September 2019. The deficiency in solvency margin indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the accompanying interim condensed financial information are prepared using the going-concern assumption since during the year 2018 the Company had successfully issued 400 million in rights shares improving the Company's financial position and based on management's assessment on Company's ability to continue as a going-concern. Our conclusion is not further modified with respect to this matter.

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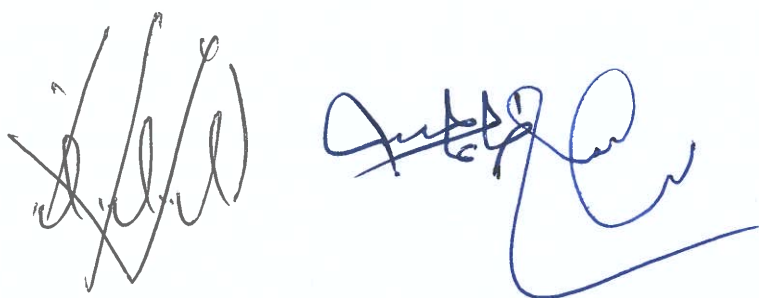
29 October 2019
01 Rabi-ul-Awwal 1441H



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019

		SAR 000's		
	Note	30 September 2019 (Unaudited)	31 December 2018 (Audited) (Restated)	01 January 2018 (Audited) (Restated)
Assets				
Cash and cash equivalents	5	232,182	1,122,429	383,525
Short term deposit	6	586,283	-	471,250
Premium and reinsurers' receivable - net	7	779,486	681,078	659,105
Reinsurers' share of unearned premiums	9b	378,571	282,901	464,063
Reinsurers' share of outstanding claims	9a	368,019	294,162	366,647
Reinsurers' share of claims incurred but not reported	9a	233,485	126,644	114,493
Deferred policy acquisition costs		79,992	76,227	85,065
Due from a related party	11	63	63	63
Prepayments and other assets		369,780	134,273	238,077
Available for sale investments	8	318,298	74,151	153,376
Right of used assets, net		25,109	-	-
Property and equipment, net		14,855	19,158	23,211
Land		30,000	30,000	30,000
Intangible assets, net		2,494	2,484	3,319
Deferred tax asset	18	11,962	13,923	12,225
Statutory deposit	12	120,000	120,000	150,000
Investment in an associate	10	7,658	9,872	9,341
Accrued commission on statutory deposit		21,872	19,507	15,546
Goodwill	20	480,000	480,000	480,000
TOTAL ASSETS		4,060,109	3,486,872	3,659,306



The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT SEPTEMBER 30, 2019

		SAR 000's		
	Note	30 September 2019 (Unaudited)	31 December 2018 (Audited) (Restated)	01 January 2018 (Audited) (Restated)
Liabilities				
Accrued expenses and other liabilities		82,016	158,493	152,892
Accounts and commission payable		119,715	124,860	121,768
Lease liability		21,421	-	-
Reinsurers' balances payable		208,620	50,410	135,761
Gross unearned premiums	9b	1,304,144	1,236,849	1,405,228
Unearned reinsurance commission		41,656	22,205	35,206
Gross outstanding claims	9a	545,748	325,214	499,938
Claims incurred but not reported	9a	819,698	624,910	594,499
Premium deficiency reserve	9a	23,837	51,052	15,700
Other technical reserves	9a	12,944	9,759	10,596
Due to related party	11	21,996	17,600	3,886
End of service indemnities		20,350	25,461	20,887
Surplus distribution payable		112,605	111,566	111,566
Zakat and income tax	18	7,003	27,184	25,022
Accrued commission income payable to SAMA		21,872	19,507	15,546
Total Liabilities		3,363,625	2,805,070	3,148,495
Equity				
Share capital	15	800,000	800,000	400,000
Statutory reserve	17	146,135	146,135	146,135
Accumulated losses		(253,030)	(259,606)	(40,777)
Re-measurement of defined benefit liability – employees benefits		(4,285)	(4,285)	(302)
Fair values gain reserve on available for sale investments	8	7,664	(442)	5,755
TOTAL EQUITY		696,484	681,802	510,811
TOTAL LIABILITIES AND EQUITY		4,060,109	3,486,872	3,659,306

Commitments and Contingencies

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The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF INCOME

FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

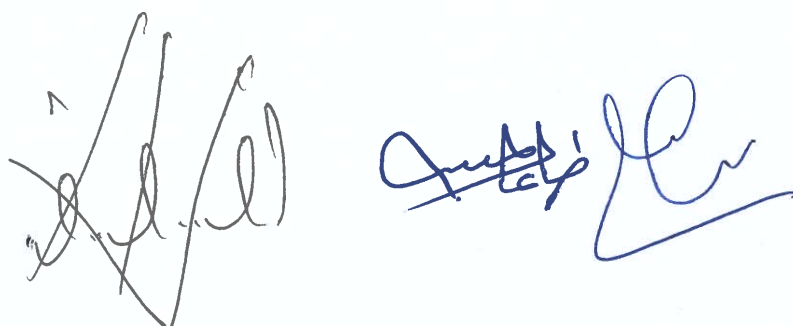
		SAR 000's			
		For the three month period ended		For the nine month period ended	
		30 September	30 September	30 September	30 September
		2019	2018 (Unaudited)	2019	2018 (Unaudited)
Note		(Unaudited)	(Restated)	(Unaudited)	(Restated)
Revenues					
	Gross premiums written				
	-Direct	747,085	834,114	2,114,786	1,527,393
	-Reinsurance	-	2,168	-	368
		747,085	836,282	2,114,786	1,527,761
	Reinsurance premiums ceded				
	-Local	(1,707)	(914)	(4,596)	(2,060)
	-Abroad	(97,956)	(92,820)	(550,226)	(181,299)
		(99,663)	(93,734)	(554,822)	(183,359)
	Excess of loss premiums	(11,907)	(4,498)	(35,905)	(12,829)
	Net premiums written	635,515	738,050	1,524,059	1,331,573
	Changes in unearned premiums, net	(122,504)	(303,792)	28,376	12,448
	Net premiums earned	513,011	434,258	1,552,435	1,344,021
	Reinsurance commission income	26,054	11,908	70,109	41,089
	Total Underwriting Revenues	539,065	446,166	1,622,544	1,385,110
Underwriting Costs and Expenses					
	Gross claims paid	(458,200)	(482,799)	(1,348,941)	(1,584,716)
	Expenses incurred related to paid claims	(5,683)	(6,712)	(19,268)	(19,207)
	Early settlement discount	22,031	26,607	64,327	71,220
	Reinsurers' share of gross claims paid	91,898	68,236	223,601	284,742
	Net claims and other benefits paid	(349,954)	(394,668)	(1,080,281)	(1,247,961)
	Changes in outstanding claims, net	(45,363)	74,952	(146,677)	93,209
	Changes in incurred but not reported, net	(12,579)	(35,276)	(87,948)	31,326
	Net claims and other benefits incurred	(407,896)	(354,992)	(1,314,906)	(1,123,426)
	Premium deficiency reserve	2,923	(34,397)	27,214	(44,018)
	Other technical reserves	2,073	239	(3,185)	3,056
	Policy acquisition costs	(27,332)	(19,828)	(84,467)	(91,263)
	Total Underwriting Costs and Expenses	(430,232)	(408,978)	(1,375,344)	(1,255,651)
	NET UNDERWRITING INCOME	108,833	37,188	247,200	129,459
Other Operating (Expenses)/Income					
	(Allowance for) / reversal of doubtful debts	7	-	(59,088)	20,521
	Legal case provision	(13,320)	-	(24,246)	-
	General and administrative expenses	(82,134)	(63,229)	(226,850)	(195,565)
	Third party administration fees	(15,510)	(11,715)	(45,854)	(35,491)
	Special commission income	7,184	2,333	27,457	12,124
	Realized gain on available for sale investment	-	5,666	-	5,666
	Other income	676	9,052	19,254	11,423
	Total Other Operating Expenses	(103,104)	(116,981)	(229,718)	(241,162)
	Net income / (loss) for the period before zakat & income tax	5,729	(79,793)	17,482	(111,703)
	Net income attributed to the insurance operations	(450)	-	(1,039)	-
	Net income / (loss) for the period attributable to the shareholders before zakat and income tax	5,279	(79,793)	16,443	(111,703)
	Zakat & income tax	18			
	Current period	(2,614)	(1,029)	(7,906)	(4,808)
	Deferred tax	120	(351)	(1,961)	498
	Net income / (loss) for the period	2,785	(81,173)	6,576	(116,013)
Earnings / (Loss) per share					
	Earnings / (loss) per share (SAR per share)	14	0.03	(1.73)	0.08
					(2.48)

The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

		SAR 000's				
		For the three month period ended		For the nine month period ended		
		30 September 2019 (Unaudited)	30 September 2018 (Unaudited) (Restated)	30 September 2019 (Unaudited)	30 September 2018 (Unaudited) (Restated)	
Note						
	Net income / (loss) for the period	2,785	(81,173)	6,576	(116,013)	
	Other comprehensive loss:					
	<i>Items that are or may be reclassified to condensed statement of income in subsequent period</i>					
	<u>Available for sale investments</u>					
	- Net change in fair values	8	3,074	(109)	8,032	(291)
	-Reclassified to interim statement of income		-	(5,666)	-	(5,666)
	TOTAL COMPREHENSIVE INCOME / (LOSS) FOR PERIOD		5,859	(86,948)	14,608	(121,970)
	Total comprehensive (loss) / income attributed to the insurance operations		524	-	1,113	21
	Total comprehensive income / (loss) for the period attributable to the shareholders		6,383	(86,948)	15,721	(121,949)



The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

SAR 000's

	Note	Share capital	Statutory reserve	Accumulated losses	Fair values gain on investments	Re-measurement of defined benefit liability – employees benefit	Total
Balance at 1 January 2019 (Audited)		800,000	146,135	(259,606)	(442)	(4,285)	681,802
Total comprehensive income for the period:							
Net income for the period		-	-	6,576	-	-	6,576
Change in fair values	8	-	-	-	8,106	-	8,106
Balance at 30 September 2019 (Unaudited)		800,000	146,135	(253,030)	7,664	(4,285)	696,484
Balance at 1 January 2018 (Audited)		400,000	146,135	(53,002)	5,428	(302)	498,259
Restated on application of IAS 12		-	-	12,225	-	-	12,225
Balance at 1 January 2018 (Audited) (Restated)		400,000	146,135	(40,777)	5,428	(302)	510,484
Total comprehensive loss for the period:							
Net loss for the period		-	-	(116,013)	-	-	(116,013)
Change in fair values		-	-	-	(5,957)	-	(5,957)
Balance at 30 September 2018 (Unaudited)		400,000	146,135	(156,790)	(529)	(302)	388,514

The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

		SAR 000's	
		For the nine month period ended	
Note		30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net income / (loss) for the period before zakat and income tax	17,482	(111,703)
	Adjustments for non-cash items:		
	Depreciation and amortization	6,126	6,927
7	Allowance for doubtful debts	(20,521)	39,319
	Realized gain on sale of investment	-	(6,306)
	Special commission income	(27,457)	(17,790)
	Provision for end of service indemnities	-	-
		(24,370)	(89,553)
	<u>Changes in operating assets and liabilities:</u>		
	Premiums and reinsurers' receivable	(77,886)	(264,550)
	Reinsurers' share of unearned premiums	(95,670)	155,927
	Reinsurers' share of outstanding claims	(73,857)	50,287
	Reinsurers' share of claims incurred but not reported	(106,841)	8,553
	Deferred policy acquisition costs	(3,765)	121
	Deposit against letter of guarantee	(9,440)	(3,271)
	Prepayments and other assets	(235,507)	(16,941)
	Right of used assets	(25,109)	-
	Accounts and commission payable	(5,145)	(6,414)
	Accrued expenses and other liabilities	(76,477)	(14,246)
	Lease liability	21,421	-
	Reinsurers' balances payable	158,210	(64,456)
	Gross unearned premiums	67,295	(168,375)
	Unearned reinsurance commission	19,451	(11,096)
	Gross outstanding claims	220,534	(143,496)
	Claims incurred but not reported	194,788	(39,878)
	Premium deficiency reserves	(27,215)	41,748
	Other technical reserves	3,185	(785)
	Due to a related party	4,396	10,892
		(72,002)	(555,533)
	Payment of employees end of service indemnities	(5,111)	(1,480)
	Zakat and income tax paid	(28,087)	(4,146)
	Net cash generated from / (used in) operating activities	(105,200)	(561,159)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Dividend received from investment in associate	4,897	4,486
	Change in investment in associate	(2,683)	(3,113)
	Addition in available for sale investment	(236,042)	69,336
	Proceed from sale of investments	-	-
	Special commission income	27,457	17,790
	Interest on statutory deposit	2,365	-
	Interest payable on statutory deposit	(2,365)	-
	Proceeds from short term deposits	(586,283)	471,250
	Additions in property, equipment and intangible	(1,833)	(2,134)
	Net cash (used in) / generated from investing activities	(794,487)	557,615
	Net change in cash and cash equivalents	(899,687)	(3,544)
	Cash and cash equivalents, beginning of the year end	5 1,057,472	353,960
	Cash and cash equivalents, end of the period	5 157,785	350,416

NON-CASH INFORMATION

Change in fair value of available for sale investments 4,959 (6,284)

The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Thani 1428H (corresponding to 26 April 2007). The registered address of the Company's head office is as follows:

Medgulf Insurance
Futuro Tower
King Saud Road
P.O. Box 2302
Riyadh 11451, 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 medical, motor and other 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

(a) Basis of presentation

The interim condensed financial information has been prepared under the going concern basis on a historical cost basis except for the measurement at fair value of available for sale investments and end of service benefits of present value.

The Company's interim condensed statement of financial position is not presented using a current/non-current classification. The following balances would generally be classified as non-current: available for sale investments, property and equipment, land, intangible assets, statutory deposit, investment in an associate, accrued commission on statutory deposit, good will and employees end of service benefits. All other assets and liabilities are classified as current.

Statement of compliance

The interim condensed financial information of the Company ("Company") has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively,) as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax.

During July 2019, SAMA instructed the Insurance Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Certified Public Accountants ("SOCPA").

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 4) and the effects of this change are disclosed in note 4 to the interim condensed financial statements).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the interim condensed financial information accordingly (refer note 21). The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

Functional and presentation currency

The functional and presentational currency of the Company is Saudi Arabian Riyals. The interim condensed financial information is presented in Saudi Riyal rounded to nearest thousand (SAR'000) unless otherwise stated.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

2. BASIS OF PREPARATION (Continued)

Surplus distribution

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 Authority ("SAMA"). In case of losses, losses are absorbed by shareholders.

The insurance operations' surplus for the nine month period ended 30 September 2019 amounted to SR 17,482 thousand (30 September 2018: deficit of SR 111,703 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SR 16,443 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SR 1,039 thousand (30 September 2018: the full amount of SR 111,703 thousand was transfer to shareholders because of the deficit).

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in note 21 of the interim condensed financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The accompanying interim condensed financial information 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 of and for the year ended 31 December 2018.

In management's opinion, the interim condensed financial information 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.

(b) Critical accounting judgments, estimates and assumption

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing this condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statement as at and for the year ended 31 December 2018.

(c) Seasonality of operation

There are no seasonal changes that may affect insurance operations of the Company.

Going concern

Due to the continuous decline in the financial performance of the Company, the Company did not meet the solvency margin requirements as at 31 December 2017 and consequently SAMA issued a letter number 391000054425 dated 29 January 2018, preventing the Company from writing any new policies and renewing the existing policies. SAMA, in its aforesaid letter, also instructed the Company to increase its share capital before 30 July 2018 to address the issue of its deteriorating solvency margin. The Company's Board of Directors in their meeting held on 6 February 2018, recommended a rights issue amounting to SAR 400 million in order to improve the solvency margin and the Company's future business activities. Such right issue was subject to approval of the regulatory authorities and general assembly of the Company. SAMA issued a letter dated 15 April 2018 allowing the Company to write new policies and renewing the existing policies starting from 17 April 2018 subject to certain conditions. The aforesaid conditions amongst others include, the Company's commitment to increase its share capital before 31 October 2018. In addition SAMA instructed the Company to take necessary steps for continuous recovery of Company's receivables, implementation of best governance practices by the Board of Directors and the executive management and submit weekly progress report on the measures taken by the management in this regard and intimated that in case of non-compliance of the above, SAMA will take necessary actions as required by the law.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

2. BASIS OF PREPARATION (Continued)

Going concern (Continued)

Further, during the period ended 30 June 2018, the Company submitted its request to Capital Market Authority to proceed with the rights issue on 28 June 2018 and subsequently in the period ended 30 September 2018 Company obtained CMA approval to issue right shares as at 15 August 2018. The shareholders of the Company has approved the issue of right shares as at 10 September 2018. Subsequently, on 17 October 2018 Company has successfully right SR 400 million right shares. Management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying cash flow projections under such scenarios, management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the interim condensed financial information have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant recoveries from major policyholders, reinsurers and related parties and other cost saving measures

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed financial information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of interim statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial period are discussed below.

(i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate and involves a significant degree of judgment. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims.

The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of interim statement of financial position, for which the insured event has occurred prior to the date of interim statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

(ii) Premium deficiency reserve

Estimation of the premium deficiency for medical and motor business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to realize in the future.

iii) Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

iv) Goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Management believes that fair value less cost to sell analysis and value in use provides a higher value compared value of goodwill recorded in the books of accounts, and therefore, fair value less cost to sell analyses are used for impairment assessments. The fair value less cost to sell calculation is based on the quoted share price of the Company as of period close and subsequent events that occurred till measurement date.

v) Reinsurance

The Company accounts for its reinsurance transactions based on their understanding of the contractual terms of the reinsurance treaties.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

4. CHANGE IN ACCOUNTING POLICIES

The accounting policies and risk management policy used in the preparation of the interim condensed financial statement are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except as explained below:

Standards issued and effective

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 16	Leases	1 January 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4%. The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	SAR'000
Total operating lease commitments as at 31 December 2018	27,116
Discounted using the lessee's incremental borrowing rate at date of initial application	(2,620)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	24,496

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standards issued but not yet effective

IFRS 9, Financial Instruments (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

4. CHANGE IN ACCOUNTING POLICIES (Continued)

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021 which was further delay for 1 year. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

The Company is eligible and have chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial statement will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect that may occur before the new insurance contracts standard is applied.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the balance sheet. The Company has decided not to early adopt this new standard.

Change in the accounting for zakat and income tax:

As mentioned above, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"). With the latest instructions issued by SAMA, the zakat and income tax shall be recognized in the statement of income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 18 to the interim condensed financial statements. The change has resulted in restatement of reported income of the Company for the period ended 30 September 2018 by SR 4.310 million. The change has had no impact on the statement of cash flows for the period ended 30 September 2018.

Accounting Policy:

Income tax:

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

4. CHANGE IN ACCOUNTING POLICIES (Continued)

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Deferred income tax:

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised

Zakat:

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

5. CASH AND CASH EQUIVALENTS

	SAR'000		
	Insurance operations		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
Cash and bank balances	33,222	208,789	97,035
Deposits maturing within 3 months from the acquisition date	-	438,500	251,749
Cash and cash equivalent in the statement of cash flows	33,222	647,289	348,784
Deposit against letter of guarantee	74,397	64,957	29,565
	107,619	712,246	378,349

	SAR'000		
	Shareholders' operations		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
Cash and bank balances	124,563	6,314	5,176
Deposits maturing within 3 months from the acquisition date	-	403,869	-
	124,563	410,183	5,176
Cash and cash equivalent in the statement of cash flows	157,785	1,057,472	353,960
Cash and bank balances	232,182	1,122,429	383,525

Cash at banks and short-term 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 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 nil per annum (2018: 3.22% per annum).

The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

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

6. SHORT TERM DEPOSITS

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

Short term 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 2.50% per annum (2018: nil).

The company does not have any short term deposit as at 31 December 2018.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

7. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	<i>SR'000</i>		
	30 September 2019	31 December 2018	01 January 2018
	(Unaudited)	(Audited)	(Audited)
Policyholders	450,676	450,663	518,982
Brokers and agents	561,517	419,703	349,996
Premiums receivables	1,012,193	870,366	868,978
Less: Allowance for doubtful debts	(289,301)	(313,582)	(290,942)
	722,892	556,784	578,036
Reinsurers' receivable	275,414	339,354	302,568
Less: Allowance for doubtful debts	(218,820)	(215,060)	(221,499)
	56,594	124,294	81,069
Premium and reinsurers' receivable – net	779,486	681,078	659,105

As at 30 September 2019, the movement for provision for doubtful debts of premiums and reinsurers' receivable was as follows:

	<i>SR'000</i>		
	30 September 2019	31 December 2018	01 January 2018
	(Unaudited)	(Audited)	(Audited)
Balance at the beginning of the period	528,642	512,441	219,571
(Reversal) / provision for the period / year	(20,521)	27,074	292,870
Write off during the period	-	(10,873)	-
Ending balance	508,121	528,642	512,441

As disclosed in note 11, the Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included above in reinsurance balances receivable amounting to Saudi Riyals 114.5 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties in note 11.

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are classified as set out below:

	SAR'000		
	Insurance operations		
	30 September 2019	31 December 2018	01 January 2018
	(Unaudited)	(Audited)	(Audited)
Mutual funds	10,074	-	3,358
Sukuk	-	25,000	25,000
	10,074	25,000	28,358

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

	SAR'000		
	Shareholders' operations		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
Mutual funds	55,297	-	55,524
Bond	-	47,228	47,571
Sukuk	251,004	-	20,000
Equities	1,923	1,923	1,923
	308,224	49,151	125,018
Total	318,298	74,151	153,376

Movement in available for sale investments balance is as follows:

	SAR'000		
	Insurance operations		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
At the beginning of the period / year	25,000	28,358	28,308
Purchase during the period	10,000	-	-
Sold during the period / year	(25,000)	(3,379)	-
	10,000	24,979	28,308
Net change in fair values	74	21	50
At the end of the period / year	10,074	25,000	28,358

The cumulative change in fair values of available for sale investments for insurance operations amounting to 74 thousand (31 December 2018: SR 327 thousand) is presented within insurance operations' surplus' in the statement of financial position. The realised gain is transferred to interim statement of income under special commission income.

	SAR'000		
	Shareholders' operations		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
At the beginning of the period / year	49,151	125,018	146,076
Purchase during the period	288,735	-	-
Sold during the period / year	(37,567)	(75,665)	(21,000)
	300,319	49,353	125,076
Net change in fair values	7,905	(202)	(58)
At the end of the period / year	308,224	49,151	125,018

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 7,589 thousand (31 December 2018: SR (442) thousand) is presented within shareholders' equity in the statement of financial position.

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 information. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The unlisted security of SR1.92 million (31 December 2018: SR 1.92 million) held as part of Company's shareholder operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the period ended 30 September 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

Fair value (continued)

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

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.

	SR'000			
	30 September 2019 (Unaudited)			
	Insurance operations – Fair Value			
	Level 1	Level 2	Level 3	Total
Available for sale investments				
Mutual fund	-	10,074	-	10,074
Total available for sale investments	-	10,074	-	10,074

	SR'000			
	31 December 2018 (Audited)			
	Insurance operations – Fair Value			
	Level 1	Level 2	Level 3	Total
Available for sale investments				
Sukuk	-	25,000	-	25,000
Total available for sale investments	-	25,000	-	25,000

	SR'000			
	01 January 2018 (Audited)			
	Insurance operations – Fair Value			
	Level 1	Level 2	Level 3	Total
Available for sale investments				
Mutual funds	3,358	-	-	3,358
Sukuk	-	25,000	-	25,000
Total available for sale investments	3,358	25,000	-	28,358

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

Fair value (continued)

	<i>SR'000</i>			
	Shareholders' operations – Fair Value			
	30 September 2019 (Unaudited)			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>				
Mutual funds	-	55,297	-	55,297
Sukuk	-	251,004	-	251,004
Equities	-	-	1,923	1,923
<i>Total available for sale investments</i>	-	306,301	1,923	308,224

	<i>SR'000</i>			
	Shareholders' operations – Fair Value			
	31 December 2018 (Audited)			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>				
Bonds	-	37,228	-	37,228
Sukuk	-	10,000	-	10,000
Equities	-	-	1,923	1,923
<i>Total available for sale investments</i>	-	47,228	1,923	49,151

	<i>SR'000</i>			
	Shareholders' operations – Fair Value			
	01 January 2018 (Audited)			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>				
Mutual funds	55,524	-	-	55,524
Bonds	9,998	37,573	-	47,571
Sukuk	-	20,000	-	20,000
Equities	-	-	1,923	1,923
<i>Total available for sale investments</i>	65,522	57,573	1,923	125,018

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

9. TECHNICAL RESERVES

a) Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	SAR'000		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
Outstanding claims	545,748	325,214	499,938
Claims incurred but not reported	819,698	624,910	594,499
Premium deficiency reserve	23,837	51,052	15,700
Other technical reserves	12,944	9,759	10,596
	1,402,227	1,010,935	1,120,733
Less:			
Reinsurers' share of outstanding claims	368,019	294,162	366,647
Reinsurers' share of claims Incurred but not reported	233,485	126,644	114,493
	601,504	420,806	481,140
Net outstanding claims and reserves	800,723	590,129	639,593

b) Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	SAR'000		
	Nine month period ended 30 September 2019 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	1,236,849	(282,901)	953,948
Premium written during the period	2,114,786	(554,823)	1,559,963
Premium earned during the period	(2,047,491)	459,153	(1,588,338)
Balance as at the end of the period	1,304,144	(378,571)	925,573
	Year ended 31 December 2018 (Audited)		
Balance as at the beginning of the year	1,405,228	(464,063)	941,165
Premium written during the year	2,069,473	(266,003)	1,803,470
Premium earned during the year	(2,237,852)	447,165	(1,790,687)
Balance as at the end of the year	1,236,849	(282,901)	953,948
	01 January 2018 (Audited)		
Balance as at the beginning of the year	1,629,251	(536,383)	1,092,868
Premium written during the year	2,665,838	(494,679)	2,171,159
Premium earned during the year	(2,889,861)	566,999	(2,322,862)
Balance as at the end of the year	1,405,228	(464,063)	941,165

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

10. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 7,658 thousand (a 25% equity interest) (31 December 2018: SR 9,872), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

Movement in investment in an associate is as follows:

	SAR'000		
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	01 January 2018 (Audited)
At the beginning of the period / year	9,872	9,341	14,802
Dividend received from investment in an associate	(4,896)	(4,486)	(8,082)
Change in investment in an associate	2,682	5,017	2,621
At the end of the period / year	7,658	9,872	9,341

Al-Waseel for Electronic Transportation

	SAR'000					
As of date	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held
31/03/2019	Saudi Arabia	65,913	15,695	38,590	9,525	25%

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties	Nature of transaction	Amount of transaction for the period / year end			Balance	
		SR'000			31 December 2018	01 January 2018
		30 September 2019	30 September 2018	30 September 2019		
		Unaudited	Unaudited	Unaudited	Audited	Audited
Due from a related party						
Medgulf BSC - Head office account (major shareholder)	-Claims recoveries on behalf of major shareholder	-	-	-	-	
	-Balance due from at year end	-	-	2,453	2,453	2,453
	-Allowance for doubtful debts	-	-	(2,390)	(2,390)	(2,390)
	-Net balance due from at year end	-	-	63	63	63
	Total due from related party			63	63	63
Due to a related party						
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary	3,004	2,962	-	-	-
	-Third party administration fees	50,430	32,106	-	-	-
	-Claim incurred	122	80	-	-	-
	-Payment received	-	2	-	-	-
	-Premium refundable	225	450	-	-	-
	-Payment on third party administration fees	43,331	19,386	-	-	-
	-Balance due to at period / year end	-	-	21,996	17,600	3,886
	Total due to related party			21,996	17,600	3,886

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period / year end		Balance	
		SR'000			
		30 September 2019	30 September 2018	30 September 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	(34,127)	2,905	1,323	35,450
	-Statutory deposit (refer note 11.a (i))	2,365	-	141,872	139,507
	-Gross written premiums	5,123	3,244	-	-
	-Premiums (refundable)	-	-	(1)	(1,016)
	-Claims incurred / adjustment	(134)	-	-	-
	-Outstanding claims	-	-	(2,560)	(580)
Medivisa KSA (affiliate)	-Medical claim Jordan / balance	477	1,109	1,047	570
	-Medical claim Lebanon / balance	(1,015)	389	94	1,109
	-Medical claim Egypt / balance	28	160	188	160
	-Discretionary portfolio arrangement (refer 11.a (ii))	-	55,524	-	-
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Current account	20,095	685	21,300	1,205
	-Premiums refundable	-	-	-	(38)
	-Gross written premiums	(17)	24	-	-
Batic Investments and Logistics Co (Under common directorship)	-Premiums receivable	-	-	-	24
	-Allowance for doubtful debts	-	-	-	(18)
	-Net Balance receivable period / year end	-	-	-	6
	-Claims incurred	-	463	-	-
	-Gross written premiums	-	1	-	-
Mohammed Saad Dawood (Under common directorship)	-Premiums receivable	-	-	1	1
	-Gross written premiums	817	867	-	-
Bayan Credit Bureau (Under common directorship)	-Premiums receivable	-	-	7	(38)
	-Claims incurred	(298)	267	-	-
	-Outstanding claims	-	-	(6)	-

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period / year end		Balance	
		SR'000			
		30 September 2019	30 September 2018	30 September 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
Medgulf BSC (major shareholder)	-Claim recoveries	-	7	-	-
	-Reinsurance recovery (refer 11.a(iii))	-	-	5,962	5,962
	-Allowance for doubtful debts	-	-	(4,471)	(4,471)
	-Net balance receivable at period / year end	-	-	1,491	1,491
Addison Bradley Overseas / Addison Bradley & Co. (ABO) (affiliate)	-Balance receivable at year end	-	-	3,856	3,856
	-Allowance for doubtful debts	-	-	(3,856)	(3,856)
	-Net balance due from at period / year end	-	-	-	-
Saudi Fransi Capital (Under common directorship)	-Gross written premiums	-	3,746	-	-
	-Premium receivable	-	-	(13)	253
	-Allowance for doubtful debts	-	-	-	(66)
	-Net balance receivable at period / year end	-	-	(13)	187
	-Claims incurred	(1,022)	(1,424)	-	-
	-Outstanding claims	-	-	(2)	-
Falacon Plastic Production (Under common directorship)	-Gross written premiums	1	17	-	-
	-Premiums receivable	-	-	1	493
	-Claims incurred	(36)	264	-	-
	-Outstanding claims	-	-	-	-
Acwa Arabian Co. and Sasakura for Water and Power (Under common directorship)	-Premiums receivable	-	-	138	138
	-Claims incurred	(35)	-	-	-

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the year end		Balance	
		SR'000			
		30 September 2019	30 September 2018	30 September 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
Addison Bradley International / Medgulf Lebanon (ABI) (affiliate)	-Reinsurance recovery	-	198	-	-
	-Balance receivable at period / year end	-	-	30,265	30,265
	-Allowance for doubtful debts	-	-	(30,242)	(30,242)
	-Net balance due from at period / year end	-	-	23	23
Addison Bradley Arabia-KSA (ABAYA) (affiliate)	-Payment received during the period / year	-	274	-	-
	-Reinsurance recoveries (Refer 11.a (iv))	15	-	-	-
	-Balance due from at period / year end	-	-	16,267	16,252
	- Allowance for doubtful debts	-	-	(10,500)	(10,106)
	- Net balance due from at period / year end	-	-	5,767	6,146
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at period / year end	-	-	1,472	1,472
	- Allowance for doubtful debts	-	-	(1,472)	(1,472)
	- Net balance due from at period / year end (Refer 11.a (v))	-	-	-	-

11.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 2.80% per annum

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

11. a (iii) This represent overpayment of premium ceded to Medgulf Bahrain for reinsurance placement.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

11. a (iv) This represent reinsurance claims recoverable from Addison Bradley International. Most of the reinsurance claim recoveries in respect of run-off treaties for the underwriting years up to 2014 have been collected by the related party either directly or through a broker (refer note 11.c).

11. a (v) Reinsurance placement was made by the said related party. There is a claim recovery from the reinsurer which related party needs to recover.

11.b Compensation of key management personnel

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

	SR'000		
	30 September 2019 (Unaudited)		
	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	-	7,328
Allowances	-	275	-
Annual remuneration	-	2,712	-
End of service indemnities	-	-	2,248
	-	2,987	9,576
	SR'000		
	31 December 2018 (Audited)		
	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	85	7,260
Allowances	-	480	-
Annual remuneration	-	3,394	-
End of service indemnities	-	-	1,863
	-	3,959	9,123

11.c. All reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 7 amounting to Saudi Riyals 114.5 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions.

12. STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. During the year 2018, the company increased its paid capital to SR 800 million by right issue shares. After the aforementioned amendments to the capital, the statutory deposit is currently maintained at 15% of the new paid up capital, SR 800 million, amounting to SR 120 million. The Statutory deposit is placed at the commission rate of 3.4% per Annum (31 December 2018: 2.05%)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

13. 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, allowance for doubtful debt, special commission income and other income to operating segments as these are reported and monitored on an overall basis.

Segment assets do not include allocation of cash and cash equivalents, time deposits, available for sale investments, premiums and reinsurance balances receivable, prepayments and other assets, due from a related party, intangible assets, statutory deposit and property and equipment, net, as these are reported and monitored on a total basis.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, surplus distribution payable, end of service benefits, account and commission payable, due to a related party, zakat and tax and commissions payable to SAMA.

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	SAR'000					
	As at 30 September 2019 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Assets						
Reinsurers' share of unearned premiums	58,565	70,027	249,979	378,571	-	378,571
Reinsurers' share of outstanding claims	31,736	(21,562)	357,845	368,019	-	368,019
Reinsurers' share of claims Incurred but not reported	61,782	64,964	106,739	233,485	-	233,485
Deferred policy acquisition costs	60,779	7,198	12,015	79,992	-	79,992
Unallocated assets				1,809,923	1,190,119	3,000,042
Total assets				2,869,990	1,190,119	4,060,109

Operating segments	SAR'000					
	As at 30 September 2019 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Liabilities						
Gross unearned premiums	862,023	164,937	277,184	1,304,144	-	1,304,144
Unearned reinsurance commission	9,077	17,987	14,592	41,656	-	41,656
Gross outstanding claims	294,661	(133,442)	384,529	545,748	-	545,748
Claims incurred but not reported	440,404	264,789	114,505	819,698	-	819,698
Premium deficiency reserves	21,310	-	2,527	23,837	-	23,837
Other technical reserves	2,939	4,952	5,053	12,944	-	12,944
Unallocated liabilities and insurance operations' surplus				585,709	29,889	615,598
Total liabilities and insurance operations' surplus				3,333,736	29,889	3,363,625

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

13. SEGMENTAL INFORMATION (Continued)

SAR'000						
As at 31 December 2018 (Audited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Assets						
Reinsurers' share of unearned premiums	-	50,680	232,221	282,901	-	282,901
Reinsurers' share of outstanding claims	-	(20,377)	314,539	294,162	-	294,162
Reinsurers' share of claims Incurred but not reported	-	48,733	77,911	126,644	-	126,644
Deferred policy acquisition costs	51,630	12,976	11,621	76,227	-	76,227
Unallocated assets				1,571,780	1,135,158	2,706,938
Total assets				2,351,714	1,135,158	3,486,872
SAR'000						
As at 31 December 2018 (Audited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Liabilities						
Gross unearned premiums	736,330	241,343	259,176	1,236,849	-	1,236,849
Unearned reinsurance commission	-	10,136	12,069	22,205	-	22,205
Gross outstanding claims	110,072	(123,352)	338,494	325,214	-	325,214
Claims incurred but not reported	300,862	237,791	86,257	624,910	-	624,910
Premium deficiency reserves	48,466	-	2,586	51,052	-	51,052
Other technical reserves	-	4,721	5,038	9,759	-	9,759
Unallocated liabilities and insurance operations' surplus				485,570	49,511	535,081
Total liabilities and insurance operations' surplus				2,755,559	49,511	2,805,070

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

13. SEGMENTAL INFORMATION (Continued)

SAR 000's						
For the nine month period ended 30 September 2019 (Unaudited)						
Operating segments	Insurance operations				Shareholders ' operations	Total
	Medical	Motor	Property & casualty	Total		
Revenues						
Gross premiums written						
-Direct	1,626,441	249,899	238,446	2,114,786	-	2,114,786
-Reinsurance	-	-	-	-	-	-
	1,626,441	249,899	238,446	2,114,786	-	2,114,786
Reinsurance premiums ceded						
-Local	-	-	(4,596)	(4,596)	-	(4,596)
-Abroad	(230,565)	(113,530)	(206,131)	(550,226)	-	(550,226)
	(230,565)	(113,530)	(210,727)	(554,822)	-	(554,822)
Excess of loss premiums	(25,950)	(5,051)	(4,904)	(35,905)	-	(35,905)
Net Premiums Written	1,369,926	131,318	22,815	1,524,059	-	1,524,059
Changes in unearned premiums, net	(67,129)	95,753	(248)	28,376	-	28,376
Net Premiums Earned	1,302,797	227,071	22,567	1,552,435	-	1,552,435
Reinsurance commission income	26,660	22,215	21,234	70,109	-	70,109
Total Revenues	1,329,457	249,286	43,801	1,622,544	-	1,622,544
Underwriting Costs and Expenses						
Gross claims paid	(1,004,940)	(242,838)	(101,163)	(1,348,941)	-	(1,348,941)
Expenses incurred related to claims	-	(16,477)	(2,791)	(19,268)	-	(19,268)
Early settlement discount	64,327	-	-	64,327	-	64,327
Reinsurers' share of claims paid	55,822	69,215	98,564	223,601	-	223,601
Net claims and other benefits paid	(884,791)	(190,100)	(5,390)	(1,080,281)	-	(1,080,281)
Change in outstanding claims, net	(152,852)	8,906	(2,731)	(146,677)	-	(146,677)
Change in IBNR, net	(77,761)	(10,766)	579	(87,948)	-	(87,948)
Net claims and other benefits incurred	(1,115,404)	(191,960)	(7,542)	(1,314,906)	-	(1,314,906)
Premium deficiency reserve	27,156	-	58	27,214	-	27,214
Other technical reserves	(2,939)	(231)	(15)	(3,185)	-	(3,185)
Policy acquisition costs	(56,589)	(16,662)	(11,216)	(84,467)	-	(84,467)
Total Underwriting Costs and Expenses	(1,147,776)	(208,853)	(18,715)	(1,375,344)	-	(1,375,344)
NET UNDERWRITING INCOME	181,681	40,433	25,086	247,200	-	247,200
Other Operating (Expenses)/Income						
Reversal of doubtful debts				20,521	-	20,521
Legal case provision				(24,246)	-	(24,246)
General and administrative expenses				(220,970)	(5,880)	(226,850)
Third party administration fees				(45,854)	-	(45,854)
Special commission income				14,485	12,972	27,457
Other income				19,254	-	19,254
Total Other Operating Expenses, net				(236,810)	7,092	(229,718)
Net income for the period before zakat and income tax				10,390	7,092	17,482

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

13. SEGMENTAL INFORMATION (Continued)

Operating segments	SAR 000's					
	For the three month period ended 30 September 2019 (Unaudited)					
	Insurance operations				Shareholders ' operations	Total
	Medical	Motor	Property & casualty	Total		
Revenues						
Gross premiums written						
-Direct	616,775	57,446	72,864	747,085	-	747,085
-Reinsurance	-	-	-	-	-	-
	616,775	57,446	72,864	747,085	-	747,085
Reinsurance premiums ceded						
-Local	-	-	(1,707)	(1,707)	-	(1,707)
-Abroad	(3,791)	(27,313)	(66,852)	(97,956)	-	(97,956)
	(3,791)	(27,313)	(68,559)	(99,663)	-	(99,663)
Excess of loss premiums	(8,650)	(1,461)	(1,796)	(11,907)	-	(11,907)
Net Premiums Written	604,334	28,672	2,509	635,515	-	635,515
Changes in unearned premiums, net	(164,690)	39,212	2,974	(122,504)	-	(122,504)
Net Premiums Earned	439,644	67,884	5,483	513,011	-	513,011
Reinsurance commission income	9,369	9,013	7,672	26,054	-	26,054
Total Revenues	449,013	76,897	13,155	539,065	-	539,065
Underwriting Costs and Expenses						
Gross claims paid	(342,391)	(78,223)	(37,586)	(458,200)	-	(458,200)
Expenses incurred related to claims	-	(5,247)	(436)	(5,683)	-	(5,683)
Early settlement discount	22,031	-	-	22,031	-	22,031
Reinsurers' share of claims paid	28,471	27,292	36,135	91,898	-	91,898
Net claims and other benefits paid	(291,889)	(56,178)	(1,887)	(349,954)	-	(349,954)
Change in outstanding claims, net	(43,513)	(1,213)	(637)	(45,363)	-	(45,363)
Change in IBNR, net	(17,896)	4,875	442	(12,579)	-	(12,579)
Net claims and other benefits incurred	(353,298)	(52,516)	(2,082)	(407,896)	-	(407,896)
Premium deficiency reserve	3,725	-	(802)	2,923	-	2,923
Other technical reserves	(267)	377	1,963	2,073	-	2,073
Policy acquisition costs	(18,060)	(5,064)	(4,208)	(27,332)	-	(27,332)
Total Underwriting Costs and Expenses	(367,900)	(57,203)	(5,129)	(430,232)	-	(430,232)
NET UNDERWRITING INCOME	81,113	19,694	8,026	108,833	-	108,833
Other Operating (Expenses)/Income						
Legal case provision				(13,320)	-	(13,320)
General and administrative expenses				(80,102)	(2,032)	(82,134)
Third party administration fees				(15,510)	-	(15,510)
Special commission income				3,927	3,257	7,184
Other income				676	-	676
Total Other Operating Expenses, net				(104,329)	1,225	(103,104)
Net income for the period before zakat and income tax				4,504	1,225	5,729

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

13. SEGMENTAL INFORMATION (Continued)

	SAR 000's					
	For the nine month period ended 30 September 2018 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
Operating segments	Medical	Motor	Property & casualty	Total		
<u>Revenues</u>						
Gross premiums written						
-Direct	1,084,395	297,972	145,026	1,527,393	-	1,527,393
-Reinsurance	-	-	368	368	-	368
	1,084,395	297,972	145,394	1,527,761	-	1,527,761
Reinsurance premiums ceded						
-Local	-	-	(2,060)	(2,060)	-	(2,060)
-Abroad	-	(64,354)	(116,945)	(181,299)	-	(181,299)
	-	(64,354)	(119,005)	(183,359)	-	(183,359)
Excess of loss premiums	-	(6,471)	(6,358)	(12,829)	-	(12,829)
Net Premiums Written	1,084,395	227,147	20,031	1,331,573	-	1,331,573
Changes in unearned premiums, net	(50,763)	50,259	12,952	12,448	-	12,448
Net Premiums Earned	1,033,632	277,406	32,983	1,344,021	-	1,344,021
Reinsurance commission income	-	21,075	20,014	41,089	-	41,089
Total Revenues	1,033,632	298,481	52,997	1,385,110	-	1,385,110
<u>Underwriting Costs and Expenses</u>						
Gross claims paid	(1,123,443)	(244,980)	(216,293)	(1,584,716)	-	(1,584,716)
Expenses incurred related to claims	-	(15,353)	(3,854)	(19,207)	-	(19,207)
Early settlement discount	71,220	-	-	71,220	-	71,220
Reinsurers' share of claims paid	-	69,844	214,898	284,742	-	284,742
Net claims and other benefits paid	(1,052,223)	(190,489)	(5,249)	(1,247,961)	-	(1,247,961)
Change in outstanding claims, net	56,437	26,355	10,417	93,209	-	93,209
Change in IBNR, net	47,648	(17,937)	1,615	31,326	-	31,326
Net claims and other benefits incurred	(948,138)	(182,071)	6,783	(1,123,426)	-	(1,123,426)
Premium deficiency reserve	(44,018)	-	-	(44,018)	-	(44,018)
Other technical reserves	2,270	(2,307)	3,093	3,056	-	3,056
Policy acquisition costs	(57,272)	(21,600)	(12,391)	(91,263)	-	(91,263)
Total Underwriting Costs and Expenses	(1,047,158)	(205,978)	(2,515)	(1,255,651)	-	(1,255,651)
NET UNDERWRITING INCOME	(13,526)	92,503	50,482	129,459	-	129,459
Other Operating (Expenses)/Income						
Allowance for doubtful debts				(39,319)	-	(39,319)
General and administrative expenses				(191,405)	(4,160)	(195,565)
Third party administration fees				(35,491)	-	(35,491)
Special commission income				7,219	4,905	12,124
Realized gain on available for sale investment				-	5,666	5,666
Other income				11,423	-	11,423
Total Other Operating Expenses, net				(247,573)	6,411	(241,162)
Net loss for the period before zakat and income tax				(118,114)	6,411	(111,703)

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

13. SEGMENTAL INFORMATION (Continued)

	SAR 000's					
	For the three month period ended 30 September 2018 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total		
Operating segments						
<u>Revenues</u>						
Gross premiums written						
-Direct	638,410	115,054	80,650	834,114	-	834,114
-Reinsurance	-	-	2,168	2,168	-	2,168
	638,410	115,054	82,818	836,282	-	836,282
Reinsurance premiums ceded						
-Local	-	-	(914)	(914)	-	(914)
-Abroad	-	(24,186)	(68,634)	(92,820)	-	(92,820)
	-	(24,186)	(69,548)	(93,734)	-	(93,734)
Excess of loss premiums	-	(2,271)	(2,227)	(4,498)	-	(4,498)
Net Premiums Written	638,410	88,597	11,043	738,050	-	738,050
Changes in unearned premiums, net	(303,416)	127	(503)	(303,792)	-	(303,792)
Net Premiums Earned	334,994	88,724	10,540	434,258	-	434,258
Reinsurance commission income	-	5,932	5,976	11,908	-	11,908
Total Revenues	334,994	94,656	16,516	446,166	-	446,166
<u>Underwriting Costs and Expenses</u>						
Gross claims paid	(352,543)	(87,030)	(43,226)	(482,799)	-	(482,799)
Expenses incurred related to claims	-	(5,183)	(1,529)	(6,712)	-	(6,712)
Early settlement discount	26,607	-	-	26,607	-	26,607
Reinsurers' share of claims paid	-	25,162	43,074	68,236	-	68,236
Net claims and other benefits paid	(325,936)	(67,051)	(1,681)	(394,668)	-	(394,668)
Change in outstanding claims, net	65,580	5,745	3,627	74,952	-	74,952
Change in IBNR, net	(30,106)	(5,734)	564	(35,276)	-	(35,276)
Net claims and other benefits incurred	(290,462)	(67,040)	2,510	(354,992)	-	(354,992)
Premium deficiency reserve	(34,397)	-	-	(34,397)	-	(34,397)
Other technical reserves	-	273	(34)	239	-	239
Policy acquisition costs	(13,483)	(2,517)	(3,828)	(19,828)	-	(19,828)
Total Underwriting Costs and Expenses	(338,342)	(69,284)	(1,352)	(408,978)	-	(408,978)
NET UNDERWRITING INCOME	(3,348)	25,372	15,164	37,188	-	37,188
Other Operating (Expenses)/Income						
Allowance for doubtful debts				(59,088)	-	(59,088)
General and administrative expenses				(62,127)	(1,102)	(63,229)
Third party administration fees				(11,715)	-	(11,715)
Special commission income				1,849	484	2,333
Realized gain on available for sale investment				-	5,666	5,666
Other income				9,052	-	9,052
Total Other Operating Expenses, net				(122,029)	5,048	(116,981)
Net loss for the period before zakat and income tax				(84,841)	5,048	(79,793)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

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

Basic and diluted earnings per share been calculated by dividing the net Income / (loss) after zakat and income tax for the period by the weighted average number of shares outstanding as of the reporting date.

	SR'000	
	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Income / (Loss) for the year after zakat and income tax	6,576	(116,013)
Weighted average number of ordinary shares	80,000	46,800
Loss per share	0.08	(2.48)

15. SHARE CAPITAL

The authorized and paid up share capital of the Company was 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, was subscribed by the general public. The Share capital represents foreign shareholders by 45.5% and Saudi shareholders by 54.5% as at the period end. The Company in its extra ordinary general meeting held on 22 September 2017 approved the reduction of share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million by reducing the number of shares from 100 million to 40 million shares of SR 10 each to comply with the requirements of the Regulations for Companies. This resulted in accumulated losses to decline below one-half of Company's share capital. The reduction of capital was approved by the regulatory authorities. During 2017, the Company incurred transaction cost of SR 691 thousand in respect of reduction in share capital, which has been charged directly to the Statement of changes in Shareholders' Equity.

During the year-end 31 December 2018, the Company's Board of Directors in their meeting held on 6 February 2018, recommended a rights issue amounting to SAR 400 million. Such rights issue has been approved by the regulatory authorities and general assembly of the Company and the current paid up capital of the company is SR 800 million. The Company incurred transaction cost of SR 9,677 thousand in respect to the increase in share capital, which has been charged directly to the Statement of changes in Shareholders' Equity.

	30 September 2019 (Unaudited)			31 December 2018 (Audited)		
	SR'000			SR'000		
	No. of shares	Authorized and issued	Paid up	No. of shares	Authorized and issued	Paid up
Founding shareholders	60,000	600,000	600,000	60,000	600,000	600,000
General public	20,000	200,000	200,000	20,000	200,000	200,000
	80,000	800,000	800,000	80,000	800,000	800,000

16. CAPITAL MANAGEMENT

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The company is not in compliance with the solvency margin required by SAMA (refer note 2).

17. 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 was accumulated deficit for the period ended 30 September 2019 and year ended 31 December 2018, no transfer was made to statutory reserve.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

18. STATUS OF ZAKAT, WITHHOLDING AND INCOME TAXES

a) Zakat Charge for the period

The zakat charge for the period consists of the current period's provision amounting to SR 7,906 thousand (31 December 2018: SR 6,323 thousand). The zakat provision is based on Saudi Shareholders' share of capital at 54.5% (31 December 2018: 54.5%).

b) Income tax charge for the period

There was no income tax provision in the current period and for the year ended 31 December 2018.

c) Appeal on assessment

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2017 with the General Authority of Zakat and Income Tax (GAZT). Further, the Company has filed two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and another one for assessment year 2013 to 2016. The management has made appropriate provisions in this interim condensed financial information based on the advice of the Company's zakat and tax consultant.

During the period ended 30 September 2019, the company has reach an agreement with GAZT regarding the two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and 2013 to 2016 and agreed on the amount to be paid of SR 115,555 thousand. The company has booked a provision of SR 131,346 thousand as per the zakat and tax consultant, thus, the amount of SR 15,791 thousand, which represent the difference between the provision amount and the agreed amount, was transfer to other income. During the period ended 30 September 2019, the company has successfully paid the full amount agreed.

The change in the accounting treatment for zakat and income tax (as explained in notes 2 and 4) has the following impact on the line items of the statements of income, statement of financial position and changes in shareholders' equity:

As at and for the nine-month period ended 30 September 2018:

Financial statement impacted	Account	Before the restatement for the nine-month period ended 30 September 2018:	Effect of restatement	As restated as at and for the nine-month period ended 30 September 2018:
Statement of changes in Equity	Provision for zakat and income tax (Accumulated Losses)	4,808	(4,808)	-
Statement of income	Zakat and income tax expenses	-	(4,310)	(4,310)
Statement of income	Earnings per share	(2.79)	0.31	(2.48)
Statement of financial position	Deferred tax asset / liability	-	498	498

As at and for the three -month period ended 30 September 2018:

Financial statement impacted	Account	Before the restatement for the three-month period ended 30 September 2018:	Effect of restatement	As restated as at and for the three-month period ended 30 September 2018:
Statement of changes in Equity	Provision for zakat and income tax (Accumulated Losses)	1,029	(1,029)	-
Statement of income	Zakat and income tax expenses	-	(1,380)	(1,380)
Statement of income	Earnings per share	(1.99)	0.26	(1.73)
Statement of financial position	Deferred tax asset / liability	-	(351)	(351)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

18. STATUS OF ZAKAT, WITHHOLDING AND INCOME TAXES (Continued)

As at 31 December 2018

Financial statement impacted	Account	Before the restatement as at 31 December 2018:	Effect of restatement	As restated as at 31 December 2018:
Statement of financial position	Deferred tax asset / liability	-	13,923	13,923
Statement of financial position	Accumulated Losses	(273,529)	13,923	(259,606)

As at 1 January 2018

Financial statement impacted	Account	Before the restatement as at 1 January 2018:	Effect of restatement	As restated as at 1 January 2018:
Statement of financial position	Deferred tax asset / liability	-	12,225	12,225
Statement of financial position	Retained earnings	(53,002)	12,225	(40,777)

d) Deferred Tax

Given this is the first time deferred tax will be disclosed, the source i.e. where the temporary differences are arising from for deferred tax and its movement should be disclosed.

	30 September 2019	31 December 2018
Opening deferred tax asset	13,923	12,225
Origination or reversal of temporary differences	(1,961)	1,698
Deferred tax expense		
Closing	11,962	13,923

This deferred tax arises on end of service benefits, impairment allowance, unrecognized losses etc.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

19. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) Operating lease commitments

The minimum future lease payments for the use of the Company office premises are as follows:

	SR'000	
	30 September 2019	31 December 2018
	(Unaudited)	(Audited)
Less than one year	-	-
One to five years	6,611	16,057
	6,611	16,057

c) Contingencies and capital commitments

As at 30 September 2019, the Company's banker has issued letters of guarantee of SR 74,397 thousand (31 December 2018: SR 64,957 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them. The Company had no capital commitments during the period ended 30 September 2019 (31 December 2018: nil).

20. GOODWILL

The Company held an ordinary general assembly meeting on 22 December 2008 and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C (closed) ("Portfolio") effective 1 January 2009. The acquisition resulted in goodwill of SR 480 million.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units ('CGU') to which goodwill has been allocated. To assess the Goodwill impairment impact as of 31 December 2018, the Company appointed a consultant and a report dated 11 February 2018 was issued. Considering the Company as a single CGU, the consultant applied 'Share Price' and 'Market' approach on the trading activity of the Company's stock and the capitalization of the earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples. Accordingly, as of the date of the approval of the financial statements for the year ended 31 December 2018 based on the aforementioned approach, the valuation result concluded the recoverable amount of goodwill to be higher than the carrying value.

During the year end December 31, 2018 the management revisited the assessment approach by using Value-In-Use (VIU) assessment for the goodwill impairment based on a detailed five year business plan, in addition to the 'Share Price' and 'Market' approach on the trading activity of the Company's stock. This assessment was carried-out by a consultant appointed by the Company in their report dated February 20, 2019. As per the management's assessment, the goodwill will be impaired if WACC (Weighted average cost of capital) will have to increase to over 30% and terminal value growth rate reduce to 1% for goodwill to be impaired.

During 30 September 2019, there was no sign of goodwill impairment.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

21. SUPPLEMENTARY INFORMATION

Interim condensed statement of financial position

	SAR 000's					
	30 September 2019 (Unaudited)			31 December 2018 (Audited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Assets						
Cash and cash equivalents`	107,619	124,563	232,182	712,246	410,183	1,122,429
Short term deposits	503,861	82,422	586,283	-	-	-
Premium and reinsurers' receivable, net	779,486	-	779,486	681,078	-	681,078
Reinsurers' share of unearned premiums	378,571	-	378,571	282,901	-	282,901
Reinsurers' share of outstanding claims	368,019	-	368,019	294,162	-	294,162
Reinsurers' share of claims incurred but not reported	233,485	-	233,485	126,644	-	126,644
Deferred policy acquisition costs	79,992	-	79,992	76,227	-	76,227
Due from a related party	63	-	63	63	-	63
Due from / to shareholders' / insurance operation	459,535	(459,535)	-	399,560	(399,560)	-
Prepayment and other assets	366,362	3,418	369,780	131,751	2,522	134,273
Available for sale investments	10,074	308,224	318,298	25,000	49,151	74,151
Right of used assets, net	25,109	-	25,109	-	-	-
Property and equipment, net	14,855	-	14,855	19,158	-	19,158
Land	-	30,000	30,000	-	30,000	30,000
Intangible assets, net	2,494	-	2,494	2,484	-	2,484
Deferred tax asset	-	11,962	11,962	-	13,923	13,923
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	7,658	7,658	-	9,872	9,872
Accrued commission on statutory deposit	-	21,872	21,872	-	19,507	19,507
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	3,329,525	730,584	4,060,109	2,751,274	735,598	3,486,872

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

21. SUPPLEMENTARY INFORMATION (Continued)

	SAR 000's					
	30 September 2019 (Unaudited)			31 December 2018 (Audited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Liabilities						
Accrued expenses and other liabilities	81,002	1,014	82,016	155,673	2,820	158,493
Accounts and commission payable	119,715	-	119,715	124,860	-	124,860
Lease liability	21,421	-	21,421	-	-	-
Reinsurers' balances payable	208,620	-	208,620	50,410	-	50,410
Gross unearned premiums	1,304,144	-	1,304,144	1,236,849	-	1,236,849
Unearned reinsurance commission	41,656	-	41,656	22,205	-	22,205
Gross outstanding claims	545,748	-	545,748	325,214	-	325,214
Claims incurred but not reported	819,698	-	819,698	624,910	-	624,910
Premium deficiency reserve	23,837	-	23,837	51,052	-	51,052
Other technical reserves	12,944	-	12,944	9,759	-	9,759
Due to a related party	21,996	-	21,996	17,600	-	17,600
End of service indemnities	20,350	-	20,350	25,461	-	25,461
Surplus distribution payable	112,605	-	112,605	111,566	-	111,566
Zakat & income tax	-	7,003	7,003	-	27,184	27,184
Accrued commission income payable to SAMA	-	21,872	21,872	-	19,507	19,507
Total Liabilities	3,333,736	29,889	3,363,625	2,755,559	49,511	2,805,070
Insurance Operations' Deficit						
Fair values reserve gain on investments	74	-	74	-	-	-
Re-measurement of defined benefit liability – employees benefits	(4,285)	-	(4,285)	(4,285)	-	(4,285)
TOTAL INSURANCE OPERATIONS' DEFICIT	(4,211)	-	(4,211)	(4,285)	-	(4,285)
Shareholders' Equity						
Share capital	-	800,000	800,000	-	800,000	800,000
Statutory reserve	-	146,135	146,135	-	146,135	146,135
Accumulated losses	-	(253,030)	(253,030)	-	(259,606)	(259,606)
Fair values reserve gain on investments	-	7,590	7,590	-	(442)	(442)
Total Shareholders' Equity	-	700,695	700,695	-	686,087	686,087
TOTAL LIABILITIES, INSURANCE OPERATIONS' DEFICIT AND SHAREHOLDERS' EQUITY	3,329,525	730,584	4,060,109	2,751,274	735,598	3,486,872

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of income

	SAR 000's					
	For the nine month period ended					
	30 September 2019 (Unaudited)			30 September 2018 (Unaudited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Revenues						
Gross premiums written						
-Direct	2,114,786	-	2,114,786	1,527,393	-	1,527,393
-Reinsurance	-	-	-	368	-	368
	2,114,786	-	2,114,786	1,527,761	-	1,527,761
Reinsurance premiums ceded						
-Local	(4,596)	-	(4,596)	(2,060)	-	(2,060)
-Abroad	(550,226)	-	(550,226)	(181,299)	-	(181,299)
	(554,822)	-	(554,822)	(183,359)	-	(183,359)
Excess of loss premiums	(35,905)	-	(35,905)	(12,829)	-	(12,829)
Net Premiums Written	1,524,059	-	1,524,059	1,331,573	-	1,331,573
Changes in unearned premiums, net	28,376	-	28,376	12,448	-	12,448
Net Premiums Earned	1,552,435	-	1,552,435	1,344,021	-	1,344,021
Reinsurance commission income	70,109	-	70,109	41,089	-	41,089
Total Revenues	1,622,544	-	1,622,544	1,385,110	-	1,385,110
Underwriting Costs and Expenses						
Gross claims paid	(1,348,941)	-	(1,348,941)	(1,584,716)	-	(1,584,716)
Expenses incurred related to claims	(19,268)	-	(19,268)	(19,207)	-	(19,207)
Early settlement discount	64,327	-	64,327	71,220	-	71,220
Reinsurers' share of claims paid	223,601	-	223,601	284,742	-	284,742
Net claims and other benefits paid	(1,080,281)	-	(1,080,281)	(1,247,961)	-	(1,247,961)
Change in outstanding claims, net	(146,677)	-	(146,677)	93,209	-	93,209
Change in IBNR, net	(87,948)	-	(87,948)	31,326	-	31,326
Net claims and other benefits incurred	(1,314,906)	-	(1,314,906)	(1,123,426)	-	(1,123,426)
Additional premium deficiency reserve	27,214	-	27,214	(44,018)	-	(44,018)
Other technical reserves	(3,185)	-	(3,185)	3,056	-	3,056
Policy acquisition costs	(84,467)	-	(84,467)	(91,263)	-	(91,263)
Total Underwriting Costs and Expenses	(1,375,344)	-	(1,375,344)	(1,255,651)	-	(1,255,651)
NET UNDERWRITING INCOME	247,200	-	247,200	129,459	-	129,459
Other Operating (Expenses)/Income						
Reversal of / (allowance for) doubtful debts	20,521	-	20,521	(39,319)	-	(39,319)
Legal case provision	(24,246)	-	(24,246)	-	-	-
General and administrative expenses	(220,970)	(5,880)	(226,850)	(191,405)	(4,160)	(195,565)
Third party administration fees	(45,854)	-	(45,854)	(35,491)	-	(35,491)
Special commission income	14,485	12,972	27,457	7,219	4,905	12,124
Realized gain on available for sale investment	-	-	-	-	5,666	5,666
Other income	19,254	-	19,254	11,423	-	11,423
Total Other Operation (Expenses)/Income	(236,810)	7,092	(229,718)	(247,573)	6,411	(241,162)
Net income / (loss) for the period before appropriation and before zakat	10,390	7,092	17,482	(118,114)	6,411	(111,703)
Shareholders' appropriation from insurance operation deficit	(9,351)	9,351	-	118,114	(118,114)	-
Net Income / (loss) for the period after appropriation and before zakat	1,039	16,443	17,482	-	(111,703)	(111,703)
Zakat and income tax						
Current period	-	(7,906)	(7,906)	-	(4,808)	(4,808)
Deferred tax	-	(1,962)	(1,962)	-	498	498
Net income / (loss) for the period	1,039	6,575	7,614	-	(116,013)	(116,013)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of income

	SAR 000's					
	For the three month period ended					
	30 September 2019 (Unaudited)			30 September 2018 (Unaudited) (Restated)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Revenues						
Gross premiums written						
-Direct	747,085	-	747,085	834,114	-	834,114
-Reinsurance	-	-	-	2,168	-	2,168
	747,085	-	747,085	836,282	-	836,282
Reinsurance premiums ceded						
-Local	(1,707)	-	(1,707)	(914)	-	(914)
-Abroad	(97,956)	-	(97,956)	(92,820)	-	(92,820)
	(99,663)	-	(99,663)	(93,734)	-	(93,734)
Excess of loss premiums	(11,907)	-	(11,907)	(4,498)	-	(4,498)
Net Premiums Written	635,515	-	635,515	738,050	-	738,050
Changes in unearned premiums, net	(122,504)	-	(122,504)	(303,792)	-	(303,792)
Net Premiums Earned	513,011	-	513,011	434,258	-	434,258
Reinsurance commission income	26,054	-	26,054	11,908	-	11,908
Total Revenues	539,065	-	539,065	446,166	-	446,166
Underwriting Costs and Expenses						
Gross claims paid	(458,200)	-	(458,200)	(482,799)	-	(482,799)
Expenses incurred related to claims	(5,683)	-	(5,683)	(6,712)	-	(6,712)
Early settlement discount	22,031	-	22,031	26,607	-	26,607
Reinsurers' share of claims paid	91,898	-	91,898	68,236	-	68,236
Net claims and other benefits paid	(349,954)	-	(349,954)	(394,668)	-	(394,668)
Change in outstanding claims, net	(45,363)	-	(45,363)	74,952	-	74,952
Change in IBNR, net	(12,579)	-	(12,579)	(35,276)	-	(35,276)
Net claims and other benefits incurred	(407,896)	-	(407,896)	(354,992)	-	(354,992)
Additional premium deficiency reserve	2,923	-	2,923	(34,397)	-	(34,397)
Other technical reserves	2,073	-	2,073	239	-	239
Policy acquisition costs	(27,332)	-	(27,332)	(19,828)	-	(19,828)
Total Underwriting Costs and Expenses	(430,232)	-	(430,232)	(408,978)	-	(408,978)
NET UNDERWRITING INCOME	108,833	-	108,833	37,188	-	37,188
Other Operating (Expenses)/Income						
Addition of doubtful debts	-	-	-	(59,088)	-	(59,088)
Legal case provision	(13,320)	-	(13,320)	-	-	-
General and administrative expenses	(80,102)	(2,032)	(82,134)	(62,127)	(1,102)	(62,127)
Third party administration fees	(15,510)	-	(15,510)	(11,715)	-	(11,715)
Special commission income	3,927	3,257	7,184	1,849	484	1,849
Realized gain on available for sale investment	-	-	-	-	5,666	-
Other income	676	-	676	9,052	-	9,052
Total Other Operation (Expenses)/Income	(104,329)	1,225	(103,104)	(122,029)	5,048	(116,981)
Net (loss) / income for the period before appropriation, before zakat	4,504	1,225	5,729	(84,841)	5,048	(79,793)
Shareholders' appropriation from insurance operation deficit	(4,054)	4,054	-	84,841	(84,841)	-
Net income / (loss) for the period after appropriation and before zakat	450	5,279	5,729	-	(79,793)	(79,793)
Zakat and income tax						
Current period	-	(2,614)	(2,614)	-	(1,029)	(1,029)
Deferred tax	-	120	120	-	(351)	(351)
Net income / (loss) for the period	450	2,785	3,235	-	(81,173)	(81,173)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

21. SUPPLEMENTARY INFORMATION (Continued)
Interim condensed statement of comprehensive income

	SAR 000's					
	For the three month period ended					
	30 September 2019 (Unaudited)			30 September 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income / (loss) for the period	450	2,785	3,235	-	(81,173)	(81,173)
Other comprehensive loss:						
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>						
<u>Available for sale investments</u>						
- Net change in fair values	74	3,074	3,148	-	(109)	(109)
-Reclassified to interim statement of income					(5,666)	(5,666)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	524	5,859	6,383	-	(86,948)	(86,948)

	SAR 000's					
	For the nine month period ended					
	30 September 2019 (Unaudited)			30 September 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income / (loss) for the period	1,039	6,576	7,615	-	(116,013)	(116,013)
Other comprehensive loss:						
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>						
<u>Available for sale investments</u>						
- Net change in fair values	74	8,032	8,106	21	(291)	(270)
-Reclassified to interim statement of income					(5,666)	(5,666)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	1,113	14,608	15,721	21	(121,970)	(121,949)

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of cash flow

		SAR 000's					
		30 September 2019 (Unaudited)			30 September 2018 (Unaudited)		
Note		Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
	Net loss for the period before zakat	1,039	16,443	17,482	-	(111,703)	(111,703)
	Adjustments for non-cash items:						
	Depreciation and amortization	6,126	-	6,126	6,927	-	6,927
7	Allowance for doubtful debts	(20,521)	-	(20,521)	39,319	-	39,319
	Realized gain on sale of investment	-	-	-	(348)	(5,958)	(6,306)
	Special commission income	(14,485)	(12,972)	(27,457)	(7,219)	(10,571)	(17,790)
		(27,841)	3,471	(24,370)	38,679	(128,232)	(89,553)
<u>Changes in operating assets and liabilities:</u>							
	Premiums and reinsurers' receivable	(77,886)	-	(77,886)	(264,550)	-	(264,550)
	Reinsurers' share of unearned premiums	(95,670)	-	(95,670)	155,927	-	155,927
	Reinsurers' share of outstanding claims	(73,857)	-	(73,857)	50,287	-	50,287
	Reinsurers' share of claims incurred but not reported	(106,841)	-	(106,841)	8,553	-	8,553
	Deferred policy acquisition costs	(3,765)	-	(3,765)	121	-	121
	Deposit against letter of guarantee	(9,440)	-	(9,440)	(3,271)	-	(3,271)
	Prepayments and other assets	(234,611)	(896)	(235,507)	(16,067)	(874)	(16,941)
	Right of used assets	(25,109)	-	(25,109)	-	-	-
	Accounts and commission payable	(5,145)	-	(5,145)	(6,414)	-	(6,414)
	Accrued expenses and other liabilities	(74,672)	(1,805)	(76,477)	(14,882)	636	(14,246)
	Lease liability	21,421	-	21,421	-	-	-
	Reinsurers' balances payable	158,210	-	158,210	(64,456)	-	(64,456)
	Gross unearned premiums	67,295	-	67,295	(168,375)	-	(168,375)
	Unearned reinsurance commission	19,451	-	19,451	(11,096)	-	(11,096)
	Gross outstanding claims	220,534	-	220,534	(143,496)	-	(143,496)
	Claims incurred but not reported	194,788	-	194,788	(39,878)	-	(39,878)
	Premium deficiency reserves	(27,215)	-	(27,215)	41,748	-	41,748
	Other technical reserves	3,185	-	3,185	(785)	-	(785)
	Due to a related party	4,396	-	4,396	10,892	-	10,892
		(72,772)	770	(72,002)	(427,063)	(128,470)	(555,533)
	Payment of employees end of service indemnities	(5,111)	-	(5,111)	(1,480)	-	(1,480)
	Zakat and income tax paid	-	(28,087)	(28,087)	-	(4,146)	(4,146)
	Net cash used in operating activities	(77,883)	(27,317)	(105,200)	(428,543)	(132,616)	(561,159)
CASH FLOWS FROM INVESTING ACTIVITIES							
	Dividend from investment in an associate	-	4,897	4,897	-	4,486	4,486
	Change in investment in an associate	-	(2,683)	(2,683)	-	(3,113)	(3,113)
	Proceeds from sale of investments	(10,000)	(251,042)	(261,042)	3,379	65,957	69,336
	Disposal of available for sale investment	25,000	-	25,000	-	-	-
	Special commission income	14,485	12,972	27,457	7,219	10,571	17,790
	Interest on statutory deposit	-	2,365	2,365	-	-	-
	Interest payable on statutory deposit	-	(2,365)	(2,365)	-	-	-
	Proceeds from short term deposits	(503,861)	(82,422)	(586,283)	401,250	70,000	471,250
	Additions in property, equipment	(1,833)	-	(1,833)	(2,134)	-	(2,134)
	Net cash (used in) / generated from investing activities	(476,209)	(318,278)	(794,487)	409,714	147,901	557,615
CASH FLOWS FROM FINANCING ACTIVITIES							
	Due to / (from) shareholders' operation	(59,975)	59,975	-	14,089	(14,089)	-
	Net Cash generated from / (used in) financing activities	(59,975)	59,975	-	14,089	(14,089)	-
	Net change in cash and cash equivalents	(614,066)	(285,621)	(899,687)	(4,740)	1,196	(3,544)
5	Cash and cash equivalents, beginning of the period	647,289	410,183	1,057,472	348,785	5,175	353,960
5	Cash and cash equivalents, end of the period	33,223	124,562	157,785	344,045	6,371	350,416

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

22. GROSS WRITTEN PREMIUM CATEGORIZATION

	SAR 000's			
	For the nine month period ended			
	30 September 2019 (Unaudited)			
	Medical	Motor	Property & casualty	Total
Large enterprise	1,273,815	60,491	127,799	1,462,105
Medium enterprise	118,441	6,008	45,003	169,452
Small enterprise	170,089	7,808	46,319	224,216
Micro enterprise	63,970	2,840	18,754	85,564
Individual	126	172,752	571	173,449
	1,626,441	249,899	238,446	2,114,786

	SAR 000's			
	For the three month period ended			
	30 September 2019 (Unaudited)			
	Medical	Motor	Property & casualty	Total
Large enterprise	487,793	11,191	54,160	553,144
Medium enterprise	29,862	899	14,749	45,510
Small enterprise	75,738	1,304	5,128	82,170
Micro enterprise	23,256	(496)	(1,405)	21,355
Individual	126	44,548	232	44,906
	616,775	57,446	72,864	747,085

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the Board of Directors on Dated 29 Safar 1441H corresponding to October 29, 2019.