

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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

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

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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 31 March 2020 and the related interim condensed statements of income and comprehensive income, changes in equity and cash flows for the three 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 9 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 8 amounting to Saudi Riyals 113.8 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 5, 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 31 March 2020. 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 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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10 June 2020
18 Shawal 1441H



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

		SAR '000	
	Notes	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Cash and cash equivalents*	6	649,475	291,216
Short term deposits	7	339,233	266,884
Premium and reinsurers' receivable, net	8	717,259	572,215
Reinsurers' share of unearned premiums	10 c	693,025	290,619
Reinsurers' share of outstanding claims	10 a	416,855	334,829
Reinsurers' share of claims incurred but not reported	10 a	227,489	222,617
Deferred policy acquisition costs		75,391	67,196
Due from related parties, net	9	1,994	63
Prepayment and other assets, net		419,613	253,841
Available for sale investments	12	484,033	479,445
Right of use assets, net		24,068	25,854
Property and equipment, net		47,688	46,170
Intangible assets, net		6,347	4,719
Deferred tax asset	17	11,473	11,962
Statutory deposit	13	120,000	120,000
Investment in an associate	11	9,393	9,393
Accrued commission on statutory deposit	19	23,864	23,864
Goodwill	14	480,000	480,000
TOTAL ASSETS		4,747,200	3,500,887


The accompanying notes 1 to 26 form an integral part of these financial statements.



Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

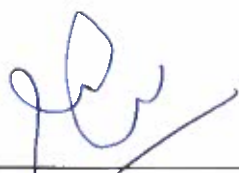
AS AT MARCH 31, 2020

Notes	SAR '000	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
LIABILITIES		
Accrued expenses and other liabilities	107,283	59,622
Accounts and commission payable	105,489	137,744
Lease liability	22,519	25,903
Reinsurers' balances payable	541,377	107,488
Gross unearned premiums	10 c 1,564,964	985,437
Unearned reinsurance commission	128,947	31,161
Gross outstanding claims	10 a 779,159	466,610
Claims incurred but not reported	10 a 607,854	751,200
Premium deficiency reserves	10 b 11,676	20,529
Other technical reserves	10 b 13,402	14,894
Due to a related party	9 -	17,080
End of service indemnities	18,569	27,451
Surplus distribution payable	113,253	112,561
Zakat & income tax	17 b 16,711	13,188
Accrued commission income payable to SAMA	19 23,864	23,864
TOTAL LIABILITIES	4,055,067	2,794,732
EQUITY		
Share capital	18 800,000	800,000
Statutory reserve	146,135	146,135
Accumulated losses	(252,248)	(256,482)
Re-measurement of defined benefit liability – employees benefits	(5,159)	(5,159)
Fair values reserve on investments	12 3,405	21,661
TOTAL EQUITY	692,133	706,155
TOTAL LIABILITIES AND EQUITY	4,747,200	3,500,887

COMMITMENTS AND CONTINGENCIES

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The accompanying notes 1 to 26 form an integral part of these financial statements.



Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

	Notes	SAR'000	
		For the three month period ended	
		March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited) (Restated)
REVENUES			
Gross premiums written			
-Direct		1,260,218	1,077,243
-Reinsurance		-	-
		1,260,218	1,077,243
Reinsurance premiums ceded			
-Local		(7,280)	(1,837)
-Abroad		(665,032)	(380,407)
		(672,312)	(382,244)
Excess of loss expenses – foreign		(14,303)	(11,942)
Net written premiums		573,603	683,057
Changes in unearned premiums, net		(177,120)	(174,328)
Net premiums earned		396,483	508,729
Re-insurance commissions		42,276	21,370
TOTAL REVENUES		438,759	530,099
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(340,014)	(449,024)
Expenses incurred related to claims		(5,740)	(5,057)
Hospital discount		21,199	20,997
Reinsurers' share of claims paid		81,625	75,987
Net claims and other benefits paid		(242,930)	(357,097)
Changes in outstanding claims, net		(230,523)	(50,079)
Changes in incurred but not reported claims, net		148,219	(35,921)
Net claims and other benefits incurred		(325,234)	(443,097)
Additional premium deficiency reserve		8,853	9,225
Other technical reserves		1,492	(3,989)
Policy acquisition costs		(21,998)	(21,261)
TOTAL UNDERWRITING COSTS AND EXPENSES		(336,887)	(459,122)
NET UNDERWRITING INCOME		101,872	70,977
OTHER OPERATING (EXPENSES)/ INCOME			
(Allowance for) / Reversal of doubtful debts		(7,000)	11,183
General and administrative expenses		(91,756)	(84,668)
Special commission income		5,162	8,451
Other income		660	1,693
TOTAL OTHER OPERATING EXPENSES		(92,934)	(63,341)
NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX			
		8,938	7,636
Net income attributed to insurance operation		(692)	(601)
NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX			
		8,246	7,035
Zakat and income tax			
Current zakat and income tax		(3,523)	(3,053)
Deferred tax		(489)	(1,041)
Net income for the period		4,234	2,941

Earnings per share

Earnings per share (SAR per share)

18 b

0.05

0.04

The accompanying notes 1 to 26 form an integral part of these financial statements.

Chairman of the
Board of Directors

Chief Executive Officer

Chief Financial Officer

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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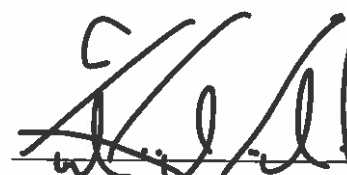
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

	Notes	SAR'000	
		For the three month period ended	
		March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited) (Restated)
Net income for the period		4,234	2,941
Other comprehensive (loss) / income			
Item that will not be reclassified to statement of income in subsequent period			
-Re-measurement of employees end of service		-	-
Items that are or may be reclassified to statement of income in subsequent periods			
<u>Available for sale investments</u>			
- Net change in fair values, insurance operations	12	70	-
- Net change in fair values, shareholders' operations		(18,326)	1,768
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>		(14,022)	4,709

The accompanying notes 1 to 26 form an integral part of these financial statements.


Chairman of the
Board of Directors


Chief Executive Officer


Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY


FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

(SAR in '000')


	Notes	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2020 (Audited)		800,000	146,135	(256,482)	21,661	(5,159)	706,155
Total comprehensive income for the period							
Net income for the period		-	-	4,234	-	-	4,234
-Change in fair values	12 a&b	-	-	-	(18,256)	-	(18,256)
Balance as at March 31, 2020 (Unaudited)		800,000	146,135	(252,248)	3,405	(5,159)	692,133

	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2019 (Audited) (Restated)	800,000	146,135	(259,606)	(442)	(4,285)	681,802
Total comprehensive income for the period						
Net income for the period	-	-	2,941	-	-	2,941
-Change in fair values	-	-	-	1,768	-	1,768
Balance as at March 31, 2019 (Unaudited) (Restated)	800,000	146,135	(256,665)	1,326	(4,285)	686,511

The accompanying notes 1 to 26 form an integral part of these financial statements.


Chairman of the
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Chief Executive Officer


Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before zakat and income tax

Adjustments for non-cash items:

Depreciation and amortization

Allowance for / (Reversal of) doubtful debts

Special commission income

Provision for end of service indemnities

Changes in operating assets and liabilities:

Premiums and reinsurers' receivable

Reinsurers' share of unearned premiums

Reinsurers' share of outstanding claims

Reinsurers' share of claims Incurred but not reported

Deferred policy acquisition costs

Prepayment and other assets

Deposit against letter of guarantee

Right of use assets

Accounts and commission payable

Accrued expenses and other liabilities

Lease liability

Reinsurers' balances payable

Gross unearned premiums

Unearned reinsurance commission

Gross outstanding claims

Claims incurred but not reported

Premium deficiency reserves

Other technical reserves

Due from related party

Due to related party

Payment of employees end of service indemnities

Zakat and income tax paid

Net cash from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of available for sale investments

Special commission income

Placements in short term deposits

Additions in property, equipment and intangible

Net cash used in investing activities

Net change in cash and cash equivalents

Cash and cash equivalents, beginning of the period

Cash and cash equivalents, end of the period

NON-CASH INFORMATION

Change in fair value of available for sale investments

The accompanying notes 1 to 26 form an integral part of these financial statements.

Chairman of the
Board of Directors

Chief Executive Officer

Chief Financial Officer

Notes	SAR '000	
	For the three month period ended	
	March 31, 2020	March 31, 2019
	(Unaudited)	(Unaudited)
	8,938	7,636
	2,279	2,032
	7,000	(11,183)
	(5,162)	(8,451)
	(8,648)	(5,019)
	4,407	(14,985)
	(145,044)	(1,813)
	(402,406)	(238,238)
	(82,026)	7,072
	(4,872)	(32,928)
	(8,195)	(3,677)
	(172,772)	(167,907)
	(2,959)	(7,917)
	1,786	(28,550)
	(32,255)	(16,926)
	47,661	32,141
	(3,384)	25,236
	433,889	287,396
	579,527	412,566
	97,786	35,400
	312,549	43,007
	(143,346)	68,849
	(8,853)	(9,225)
	(1,492)	3,989
	(1,931)	-
	(17,080)	2,230
	450,990	395,720
	(234)	(2,638)
17	-	-
	450,756	393,082
	(22,845)	(223,736)
	5,162	8,451
	(72,349)	(159,565)
	(5,425)	(682)
	(95,457)	(375,532)
	355,299	17,550
6	210,896	1,057,472
6	566,195	1,075,022

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

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 in 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

Basis of presentation

The interim condensed financial information has been prepared on a historical cost basis except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under equity method.

Statement of compliance

The interim condensed financial information of the Company has been prepared in accordance with ‘International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the Regulations for Companies 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 SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax).

On 17 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 and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, beginning period ended June 30, 2019 the Company has 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 17(e) 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 statements accordingly (refer note 23). 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 & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

2 BASIS OF PREPARATION (Continued)

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 23 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 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 statements 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.

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 right issue amounting to SAR 400 million in order to improve the solvency margin and the Company's future business activities. Such right issue was subjected 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.

On 17 October 2018 the Company successfully raised capital of SAR 400 million through issuance of right shares.

However, the Company is yet to meet its solvency margin requirement.

Accumulated losses reported as at December 31, 2019 were SAR 256.48 million. Board resolved at 18 December 2019 to reduce statutory reserve amounting to SAR 120 million against the accumulated losses which has also been approved in Annual General Assembly meeting held on 3 June 2020.

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 statements 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 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 three month period ended 31 March 2020 amounted to SAR 6,922 thousand (31 March 2019: surplus of SAR 6,012 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SAR 6,230 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SAR 692 thousand (31 March 2019: SAR 5,411 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SAR 601 thousand).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

4 STANDARDS AND AMENDMENTS ISSUED

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.

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 2022. 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 information 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 of the adoption of IFRS 9.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2023, 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of interim condensed 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 year 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 statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. 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. 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.

Following are the critical areas of estimation and judgments for medical and motor business for which the Company acquires services of independent actuary to determine such reserves.

As a first step towards setting appropriate IBNR reserves for the medical and motor line of businesses, a runoff analysis is prepared to assess how the claims reserves determined at the previous valuation dates compare with actual developments. Results from runoff analysis are taken into consideration while setting reserves for IBNR claims. An analysis is carried out by using the following methods:

- Chain Ladder method - this builds up, using historical claims payment patterns, ratios of eventual cumulative claims which have been incurred in a particular year to those which have been paid as at the end of a reporting year.
- Bornhuetter Ferguson method – this is a technique that combines actual past claims experience and any prior information or expectations that might be available concerning claims, for example expected ultimate loss ratios.
- Expected Loss Ratio method – this technique determines the projected amount of claims relative to earned premiums. The method is used where the insurer lacks the appropriate past claim occurrence data because of changes in product offerings, change in claims settlement processes, etc.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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 of 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. During 2017, the Company has revisited its provisioning approach and significantly increased the level of provisioning in respect of insurance and reinsurance receivables due to increase in credit risk associated with the receivables.

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5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv) Goodwill impairment

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 provides a higher value compared to value in use, and therefore, fair value less cost to sell analyses are used for impairment assessments. Management used a valuation expert to perform fair value less cost to sell analysis through a market based approach to test impairment. 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. In arriving at the valuation under market approach, the expert also applied certain judgments and factors including analysis of price book value multiples of the comparable companies and comparable transactions.

v) Reinsurance

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

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the GCC and other territories (to be tailored based on company’s operations) where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure:

- the health and safety of its employees and the wider community where it is operating
- the continuity of its business throughout the Kingdom is protected and kept intact.

Also refer subsequent event note 25 in relation to SAMA Circular 189 issued on 8 May 2020 in response to the Covid-19 pandemic.

Impact of Covid-19 on the medical technical reserves and financial assets

Medical technical reserves

Notwithstanding these challenges, the Company’s management believes that the technical reserves for medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment cost. Moreover, there is a general decrease in trend in medical claims which are of routine nature. Furthermore, the industry has not experienced significantly high number of reported claims and therefore has helped the Company to sustain the profitability. Based on these factors, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the three-month period ended 31 March 2020. The Company’s management continues to monitor the situation closely.

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5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Impact of Covid-19 on the medical technical reserves and financial assets (Continued)

Financial assets

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets are impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company's management believes that the Covid-19 pandemic has had no material effects on Company's reported results for the three month period ended 31 March 2020. The Company's management continues to monitor the situation closely.

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required. Based on the review, the Company has identified the following sectors being impacted significantly by the Covid-19 pandemic and lower oil prices:

- Foods
- Airlines
- Freight companies
- Hotels, etc.

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6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed statement of cash flows comprise the following:

	SAR'000	
	Insurance operations	
	March 31, 2020	December 31, 2019
Cash and bank balances	321,165	88,607
Deposits maturing within 3 months from the acquisition date	167,112	88,752
Cash and cash equivalent in the statement of cash flows	488,277	177,359
Deposit against letter of guarantee	83,280	80,321
	571,557	257,680

	SAR'000	
	Shareholders' operations	
	March 31, 2020	December 31, 2019
Cash and bank balances	59,570	33,536
Deposits maturing within 3 months from the acquisition date	18,348	-
	77,918	33,536

Cash and bank balances	649,475	291,216
Cash and cash equivalents in the statement of cash flow	566,195	210,895

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.

Deposits maturing within 3 months from the acquisition date are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 1.72% per annum (2019: 2.29% 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 favor of the Company's customers and service providers (also see note 21). Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (are restricted in nature).

7 SHORT TERM DEPOSITS

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

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 2.43% per annum (2019: 2.43% per annum).

For the period ended 31 March 2020 the carrying amounts of the short term deposits reasonably approximate the fair value at the statement of financial position date.

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8 PREMIUM AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	SAR'000	
	March 31, 2020	December 31, 2019
Policyholders	613,138	407,434
Brokers and agents	334,231	348,888
Premiums receivables	947,369	756,322
Less: Allowance for doubtful debts	(272,495)	(272,495)
	674,874	483,827
Reinsurers' receivable	261,205	307,208
Less: Allowance for doubtful debts	(218,820)	(218,820)
	42,385	88,388
Premium and reinsurers' receivable – net	717,259	572,215

As disclosed in note 9.c, the Company, together with CRC is carrying out 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 113.8 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties in note 9.

As at March 31, 2020, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	SAR'000	
	March 31, 2020	December 31, 2019
Balance, January 1	491,315	528,642
Provision for the period	-	(37,327)
Balance, December 31	491,315	491,315

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

9.a The following are the details of major related party transactions during the period and their balances at the end of the period:

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
		SAR'000			

Due from / to related parties

Medgulf BSC - Head office account (major shareholder)	-Balance due from at period end	-	-	2,453	2,453
	-Allowance for doubtful debts	-	-	(2,390)	(2,390)
	-Net Balance due from at period end	-	-	63	63

Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary	-	2,712	-	-
	-Third party administration fees	-	22,406	-	-
	-Claim incurred	-	16	-	-
	-Payment received	-	-	-	-
	-premium refundable	-	73	-	-
	-Payment on third party administration fees	-	17,500	-	-
	-Balance due from / (due to) at period end	-	-	1,931	(17,080)

Total due from related party				1,994	63
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Total due to related party				-	(17,080)
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Other related parties transactions and balances – due from / (due to)

The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	-	32,259	-	3,937
	-Statutory deposit (refer note 9.a (i))	-	-	143,864	143,864
	-Gross written premiums	-	414	-	-
	-Premiums (refundable)	-	-	-	(413)
	-Claims incurred / adjustment	(3)	-	-	-
	-Outstanding Claims	-	-	-	(1,432)

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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Medivisa KSA (affiliate)	-Medical Claim	(570)	107	-	570
	Jordan / Balance				
	-Medical claim	(455)	(345)	654	1,109
	Lebanon / balance				
	-Medical claim	(79)	-	81	160
	Egypt / balance				
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Discretionary portfolio arrangement (refer 9.a (ii))	-	-	-	-
	-Current account	2,832	1,912	4,037	1,205
	-Premiums refundable	-	-	-	(38)
Abunayyan trading Co (Under common directorship)	-Gross written premiums	(16)	-	-	-
	-Premiums receivable	-	-	686	703
	-Allowance for doubtful debts	-	-	(84)	-
	-Net balance due from at period end	-	-	602	703
	-Claims incurred	737	-	-	-
KSB Pumps Arabia (Under common directorship)	-Gross written premiums	(1)	-	-	-
	-Premiums receivable	-	-	272	906
	-Allowance for doubtful debts	-	-	(8)	-
	-Net balance due from at period end	-	-	264	906
	-Claims incurred	104	-	-	-
Toray membrane middle east (Under common directorship)	-Gross written premiums	41	-	-	-
	-Premiums receivable	-	-	544	680
	-Allowance for doubtful debts	-	-	(18)	-
	-Net balance due from at period end	-	-	526	680
	-Claims incurred	41	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for three month period ended		Balance receivable / (payable) as at	
		March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Bayan Credit Bureau (Under common directorship)	-Gross written premiums	51	26	-	-
	-Premiums receivable	-	-	64	10
	-Claims incurred	85	120	-	-
Medgulf BSC (major shareholder)	-Claim recoveries	-	-	-	-
	-Reinsurance recovery (refer 9.a(iii))	-	-	5,962	5,962
	-Allowance for doubtful debts	-	-	(4,471)	(4,471)
	-Net balance due from at period end	-	-	1,491	1,491
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at period end	-	-	3,856	3,856
	-Allowance for doubtful debts	-	-	(3,856)	(3,856)
	-Net balance due from at period end	-	-	-	-
Citiscap (Under common directorship)	-Gross written premiums	158	-	-	-
	-Premiums receivable	-	-	1,020	1,399
	-Allowance for doubtful debts	-	-	(40)	-
	-Net balance due from at period end	-	-	980	1,399
	-Claims incurred	112	-	-	-
Middle east agriculture (Under common directorship)	-Gross written premiums	(2)	-	-	-
	-Premiums receivable	-	-	198	650
	-Allowance for doubtful debts	-	-	(6)	-
	-Net balance due from at period end	-	-	192	650
	-Claims incurred	85	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for three month period ended		Balance receivable / (payable) as at	
		March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Eletronic and electric industry (Under common directorship)	-Gross written premiums	(24)	-	-	-
	-Premiums receivable	-	-	236	1,070
	-Claims incurred	158	-	-	-
	-Reinsurance recovery	-	-	-	-
	-Balance receivable at period end	-	-	30,265	30,265
	-Allowance for doubtful debts	-	-	(30,260)	(30,242)
Addison Bradley International / Medgulf Lebanon (affiliate)	-Net balance due from at period end	-	-	5	23
	-Gross written premiums	(11)	-	-	-
	-Premiums receivable	-	-	233	457
	-Allowance for doubtful debts	-	-	(2)	-
Arabian qudra (Under common directorship)	-Net balance due from at period end	-	-	231	457
	-Claims incurred	89	-	-	-
	-Gross written premiums	14	-	-	-
	-Premiums receivable	-	-	55	121
Saudi meter company (Under common directorship)	-Allowance for doubtful debts	-	-	(2)	-
	-Net balance due from at period end	-	-	53	121
	-Claims incurred	6	-	-	-
	-Gross written premiums	56	-	-	-
Saudi Tumpane Co.(Under common directorship)	-Premiums receivable	-	-	1,730	3,129
	-Allowance for doubtful debts	-	-	(20)	-
	-Net balance due from at period end	-	-	1,710	3,129
	-Claims incurred	326	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for three month period ended		Balance receivable / (payable) as at	
		March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Abunayyan electrical (Under common directorship)	-Gross written premiums	10	-	-	-
	-Premiums receivable	-	-	166	266
	-Allowance for doubtful debts	-	-	(7)	
	-Net balance due from at period end	-	-	159	266
	-Claims incurred	29	-	-	-
Industrial instrumentation and control system(Under common directorship)	-Gross written premiums	31	-	-	-
	-Premiums receivable	-	-	337	631
	-Allowance for doubtful debts	-	-	(14)	(15)
	-Net balance due from at period end	-	-	323	616
	-Claims incurred	35	-	-	-
Saline water conversion corporation(Under common directorship)	-Gross written premiums	-	2,609	-	-
	-Premiums receivable	-	-	107	107
	-Allowance for doubtful debts	-	-	(16)	-
	-Net balance due from at period end	-	-	91	107
	-Claims incurred	17,130	3,687	-	-
Raad Al Barakati (Under common directorship)	-Gross written premiums	3	-	-	-
	-Claims incurred	-	1	-	-
Amal Bin Shiha (Under common directorship)	-Gross written premiums	-	-	-	-
Tumpane jubar (Under common directorship)	-Gross written premiums	8	-	-	-
	-Premiums receivable	-	-	310	1,013
	-Allowance for doubtful debts	-	-	(17)	-
	-Net balance due from at period end	-	-	293	1,013
	-Claims incurred	46	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for three month period ended		Balance receivable / (payable) as at	
		March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period	-	-	-	-
	-Reinsurance recoveries (Refer 9.a (iv))	274	15	-	-
	-Net balance due from at period end	-	-	16,541	16,267
	-Allowance for doubtful debts	-	-	(12,406)	(12,191)
	-Net balance due from at period end	-	-	4,135	4,076
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at period end	-	-	1,472	1,472
	-Allowance for doubtful debts	-	-	(1,472)	(1,472)
	-Net balance due from at period end (Refer 9.a (v))	-	-	-	-
Saudi Fransi Capital (Under common directorship)	-Investment portfolio	244,434		379,434	135,000

9.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 2.4% per annum.

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

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

9. 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 9.c).

9. 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.

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

9.b Compensation of key management personnel

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the three month period ended March 31, 2020 and 2019:

Three month period ended March 31, 2020

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	2,460
Allowances	74	-
Annual remuneration	895	-
End of service indemnities	-	34
	969	2,494

Three month period ended March 31, 2019

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	2,130
Allowances	105	-
Annual remuneration	975	-
End of service indemnities	-	105
	1,080	2,235

9.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 is carrying out 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 8 amounting to Saudi Riyals 113.8 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.

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10 TECHNICAL RESERVES

a) Outstanding Claims and IBNR

	March 31, 2020			December 31, 2019		
	Gross	Re-insurance share	Net	Gross	Re-insurance share	Net
	SAR'000			SAR'000		
Outstanding claims	779,159	(416,855)	362,304	466,610	(334,829)	131,781
Claims incurred but not reported	607,854	(227,489)	380,365	751,200	(222,617)	528,583
	1,387,013	(644,344)	742,669	1,217,810	(557,446)	660,364

b) Other Technical Reserves

	March 31, 2020	December 31, 2019
	SAR'000	
Premium deficiency reserve	11,676	20,529
Others	13,402	14,894
Other reserves at end of the period	25,078	35,423

c) Unearned Premiums

The movements during the period for unearned premiums are as follows:

	For the period ended March 31, 2020		
	Gross	Re-insurance	Net
SAR'000			
Balance at the beginning of the period	985,437	(290,619)	694,818
Premium written during the period	1,260,218	(672,312)	587,906
Premium earned during the period	(680,691)	1,655,956	975,265
Balance at the end of the period	1,564,964	693,025	2,257,989
	For the year ended December 31, 2019		
	Gross	Re-insurance	Net
SAR'000			
Balance at the beginning of the year	1,236,849	(282,901)	953,948
Premium written during the year	2,421,277	(628,510)	1,792,767
Premium earned during the year	(2,672,689)	620,792	(2,051,897)
Balance at the end of the year	985,437	(290,619)	694,818

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11 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 9,393 thousand (a 25% equity interest) (2019: SAR 9,393), in an unquoted company (the “associate”), registered in the Kingdom of Saudi Arabia.

	SAR’000	
	March 31, 2020	December 31, 2019
At the beginning of the period	9,393	9,872
Dividend received from investment in an associate	-	(4,896)
Income from investment in an associate	-	4,417
At the end of period	9,393	9,393

12 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as set out below:

a) Insurance Operations - Available for sale investments

	SAR’000	
SAR’000	March 31, 2020	December 31, 2019
Type of Investments		
-Mutual Fund	10,251	10,181
-Sukuks	-	-
	10,251	10,181

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for shareholders’ operations amounting to SAR 70 thousand (31 December 2019: SAR 181) is presented within shareholders’ equity in the statement of financial position.

The movements during the period in available for sale investments for insurance’s operations were as follows:

	March 31, 2020	December 31, 2019
At the beginning of the period	10,181	25,000
Purchase during the period	-	10,000
Sold during the period	-	(25,000)
Net change in fair values	70	181
At the end of the period	10,251	10,181

*The realised gain is transferred to statement of income under special commission income.

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12 AVAILABLE FOR SALE INVESTMENTS (Continued)

b) Shareholders' Operations - Available for sale investments

	SAR'000	
	March 31, 2020	December 31, 2019
Type of Investments		
-Equity	143,042	136,990
-Mutual Fund	81,118	80,983
-Sukuks	249,622	251,291
	473,782	469,264

The available for sale investments comprise of mutual funds, bonds, sukuk and equities issued by corporate and financial institutions in the Kingdom of Saudi Arabia.

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR (18,326) thousand (31 December 2019: SAR 21,922 thousand) is presented within shareholders' equity in the interim condensed statement of financial position.

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

	SAR'000	
	March 31, 2020	December 31, 2019
At the beginning of the period	469,264	49,151
Purchase during the period	22,844	436,606
Sold during the period	-	(38,415)
Net change in fair values	(18,326)	21,922
At the end of the period	473,782	469,264

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12 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. 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 financial statement. 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 SAR 1.92 million (31 December 2019: SAR 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 31 March 2020, 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 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 prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

1. Insurance operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
March 31, 2020				
Available for sale investments				
- Mutual Fund	10,251	-	-	10,251
Total available for sale investments	10,251	-	-	10,251

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12 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value (Continued)

1. Insurance operations – Fair Value (Continued)

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2019				
Available for sale investments				
- Mutual Fund	10,181	-	-	10,181
Total available for sale investments	10,181	-	-	10,181
SAR'000s	Level 1	Level 2	Level 3	Total

2. Shareholders' operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
March 31, 2020				
Available for sale investments				
- Mutual Fund	81,118	-	-	81,118
- Sukuk	-	249,622	-	249,622
- Equities	-	141,119	1,923	143,042
Total available for sale investments	81,118	390,741	1,923	473,782
SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2019				
Available for sale investments				
- Mutual Fund	80,983	-	-	80,983
- Sukuk	-	251,291	-	251,291
- Equities	-	135,067	1,923	136,990
Total available for sale investments	80,983	386,358	1,923	469,264

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13 STATUTORY DEPOSIT AND ACCRUED COMMISSION

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 ended 2017, the Company in its extraordinary general meeting held on 22 September 2017 reduced the share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million. Thereafter, 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 2.4% per anum (2019 : 2.4%).

14 GOOD WILL

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.

During the year end December 31, 2019 the management carried out impairment testing 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. As per the management's assessment, there is no indication of impairment.

15 CAPITAL

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 - going concern).

16 STATUTORY

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 31 March 2020 and year ended 31 December 2019, no transfer was made to statutory reserve.

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17 ZAKAT AND INCOME TAX

a) Income tax charge for the period / year

There was no income tax in the period ended March 31, 2020 and year ended December 31, 2019 due to net adjusted losses incurred.

b) Movement in the provision for zakat and income tax during the period / year

The movement in the provision for zakat and income tax for the period / year was as follows:

	SAR '000	
	31 March	31 December
	2020	2019
At the beginning of the period	13,188	27,184
Charge - current period	3,523	14,091
Charge - prior period	-	-
Payments during the period	-	(28,087)
At the end of the period	16,711	13,188

The provision for zakat and income tax for the period is 3,523 thousand (31 March 2019: SR 3,053 thousand).

c) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2018 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 financial statement based on the advice of the Company's zakat and tax consultant.

During the year ended 31 December 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 year ended 31 December 2019, the company has successfully paid the full amount agreed.

d) Deferred tax

The deferred tax arises on temporary differences on end of service benefits, impairment allowances and unrecognised losses etc. The deferred tax movement for the period is as follows;

	SAR '000	
	31 March	31 December
	2020	2019
Opening deferred tax asset	11,962	13,923
Origination or reversal of temporary differences	(489)	(1,961)
Closing deferred tax asset	11,473	11,962

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17 ZAKAT AND INCOME TAX (Continued)

e) Change in the accounting treatment for zakat and income tax

The change in the accounting treatment for zakat and income tax (as explained in note 2) has the following impact on the line items of the interim statements of income, comprehensive income and changes in shareholders' equity. There is no impact on the interim statement of financial position as at Mar 31 2020 and interim statement of cash flows for the period then ended.

For the three month period ended 31 March 2019:

Financial statement impacted	Account	Before the restatement for the period ended 31 March 2019:	Effect of restatement	As restated as at and for the period ended 31 March 2019:
Statement of changes in Equity	Provision for zakat and income tax (Accumulated Losses)	(3,053)	3,053	-
Statement of income	Zakat and income tax expenses	-	(3,053)	(3,053)
Statement of financial position	Deferred tax asset	-	(1,041)	(1,041)
Statement of income	Deferred tax expense	-	(1,041)	(1,041)
Statement of income	Earnings per share	0.09	(0.05)	0.04

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FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

18 SHARE CAPITAL AND EARNINGS PER SHARE

a) Share capital

The authorized and paid up share capital of the Company was SAR 1,000 million divided into 100 million shares of SAR 10 each. The founding shareholders of the Company has subscribed and paid for 75 million shares (SAR 750 million) with a nominal value of SAR 10 each, which represented 75% of the shares of the Company and the remaining 25 million shares (SR 250 million) with a nominal value of SAR 10 each which represent 25% of the shares of the Company, was subscribed by the general public. The Share capital represented foreign shareholders by 45.5% and Saudi shareholders by 54.5% as at end of year 2016. 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 ended 31 December 2018, the Company's Board of Directors in their meeting held on 6 February 2018, recommended a right issue amounting to SAR 400 million. Such right issue had 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.

b) Earnings per share

Earnings per share has been calculated by dividing the net earnings for the period by the weighted average number of shares outstanding as of the reporting date.

	SAR '000	
	31 March 2020	31 March 2019
	(Unaudited)	(Unaudited)
		(Restated)
Net income for the period	4,234	2,941
Weighted average number of ordinary shares	80,000	80,000
Earnings per share	0.05	0.04

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19 ACCRUED COMMISSION ON STATUTORY DEPOSIT

The interest on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 23,864 thousand (31 December 2019: SAR 23,864 thousand). This commission cannot be withdrawn without the consent of Saudi Arabian Monetary Authority ("SAMA").

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of unquoted financial instruments which are carried at cost.

21 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) Contingencies and capital commitments

As at 31 March 2020, the Company's banker has issued letters of guarantee of SR 83,280 thousand (31 December 2019: SR 80,321 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 6). The Company had no capital commitments in 2020 (31 December 2019: nil).

c) Contingent liability

The Company, is subject to a litigation, based on independent legal advice, the Company does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

22 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.

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As at March 31, 2020

22 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	339,945	132,026	221,054	693,025	-	693,025
Reinsurers' share of outstanding claims	80,303	7,320	329,232	416,855	-	416,855
Reinsurers' share of claims Incurred but not reported	70,213	39,852	117,424	227,489	-	227,489
Deferred policy acquisition costs	53,410	11,567	10,414	75,391	-	75,391
Unallocated assets	-	-	-	2,020,439	1,314,001	3,334,440
Total assets	543,871	190,765	678,124	3,433,199	1,314,001	4,747,200
Liabilities						
Gross unearned premiums	1,028,249	282,821	253,894	1,564,964	-	1,564,964
Unearned reinsurance commission	78,391	33,871	16,685	128,947	-	128,947
Gross outstanding claims	416,056	5,182	357,921	779,159	-	779,159
Claims incurred but not reported	368,265	111,127	128,462	607,854	-	607,854
Premium deficiency reserves	10,172	1,423	81	11,676	-	11,676
Other technical reserves	2,881	2,700	7,821	13,402	-	13,402
Unallocated liabilities and insurance operations' surplus	-	-	-	907,477	41,588	949,065
Total liabilities and insurance operations' surplus	1,904,014	437,124	764,864	4,013,479	41,588	4,055,067

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As at December 31, 2019

22 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	-	73,089	217,530	290,619	-	290,619
Reinsurers' share of outstanding claims	35,567	(31,006)	330,268	334,829	-	334,829
Reinsurers' share of claims Incurred but not reported	44,725	69,961	107,931	222,617	-	222,617
Deferred policy acquisition costs	48,769	8,393	10,034	67,196	-	67,196
Unallocated assets	-	-	-	1,229,288	1,356,338	2,585,626
Total assets	129,061	120,437	665,763	2,144,549	1,356,338	3,500,887
Liabilities						
Gross unearned premiums	581,634	162,430	241,373	985,437	-	985,437
Unearned reinsurance commission	-	19,004	12,157	31,161	-	31,161
Gross outstanding claims	281,180	(174,016)	359,446	466,610	-	466,610
Claims incurred but not reported	351,153	282,729	117,318	751,200	-	751,200
Premium deficiency reserves	15,592	2,238	2,699	20,529	-	20,529
Other technical reserves	2,459	4,750	7,685	14,894	-	14,894
Unallocated liabilities and insurance operations' surplus	-	-	-	486,695	38,206	524,901
Total liabilities and insurance operations' surplus	1,232,018	297,135	740,678	2,756,526	38,206	2,794,732

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For the period ended March 31, 2020

22 Operating segments

Operating segments	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	898,757	218,470	142,991	1,260,218	-	1,260,218
-Reinsurance	-	-	-	-	-	-
	898,757	218,470	142,991	1,260,218	-	1,260,218
Re-insurance premiums ceded						
-Local	-	-	(7,280)	(7,280)	-	(7,280)
-Abroad	(444,918)	(104,660)	(115,454)	(665,032)	-	(665,032)
	(444,918)	(104,660)	(122,734)	(672,312)	-	(672,312)
Excess of loss premiums	(9,821)	(987)	(3,495)	(14,303)		(14,303)
Net premiums written	444,018	112,823	16,762	573,603	-	573,603
Changes in unearned premiums, net	(106,671)	(61,453)	(8,996)	(177,120)	-	(177,120)
Net premiums earned	337,347	51,370	7,766	396,483	-	396,483
Re-insurance commission income	24,207	11,824	6,245	42,276	-	42,276
<u>TOTAL REVENUES</u>	361,554	63,194	14,011	438,759	-	438,759
<u>UNDERWRITING COSTS AND</u>						
Gross claims paid	(247,922)	(73,068)	(19,024)	(340,014)	-	(340,014)
Expenses incurred related to claims	-	-	(5,740)	(5,740)	-	(5,740)
Hospital discount	21,199	-	-	21,199		21,199
Reinsurers' share of claims paid	28,389	30,080	23,156	81,625	-	81,625
Net claims and other benefits paid	(198,334)	(42,988)	(1,608)	(242,930)	-	(242,930)
Changes in outstanding claims, net	(90,140)	(140,873)	490	(230,523)	-	(230,523)
Changes in incurred but not reported claims, net	8,376	141,494	(1,651)	148,219	-	148,219
Net claims and other benefits incurred	(280,098)	(42,367)	(2,769)	(325,234)	-	(325,234)
Premium deficiency reserve	5,420	815	2,618	8,853	-	8,853
Other technical reserves	(423)	2,050	(135)	1,492	-	1,492
Policy acquisition costs	(10,361)	(4,827)	(6,810)	(21,998)	-	(21,998)
<u>TOTAL UNDERWRITING COSTS AND</u>	(285,462)	(44,329)	(7,096)	(336,887)	-	(336,887)
<u>EXPENSES</u>						
	(285,462)	(44,329)	(7,096)	(336,887)	-	(336,887)
NET UNDERWRITING INCOME	76,092	18,865	6,915	101,872	-	101,872
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Provision for doubtful debts				(7,000)	-	(7,000)
General and administrative expenses				(90,431)	(1,325)	(91,756)
Special commission income				1,821	3,341	5,162
Other income				660	-	660
Total Other Operating Expenses, net				(94,950)	2,016	(92,934)
<u>Net income for the period before appropriation and before zakat and income tax</u>				6,922	2,016	8,938

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For the period ended March 31, 2019

22 Operating segments

Operating segments	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
SAR'000						
<u>REVENUES</u>						
Gross premiums written						
-Direct	855,863	90,560	130,820	1,077,243	-	1,077,243
-Reinsurance	-	-	-	-	-	-
	855,863	90,560	130,820	1,077,243	-	1,077,243
Re-insurance premiums ceded						
-Local	-	-	(1,837)	(1,837)	-	(1,837)
-Abroad	(226,957)	(40,095)	(113,355)	(380,407)	-	(380,407)
	(226,957)	(40,095)	(115,192)	(382,244)	-	(382,244)
Excess of loss premiums	(8,500)	(2,130)	(1,312)	(11,942)	-	(11,942)
Net premiums written	620,406	48,335	14,316	683,057	-	683,057
Changes in unearned premiums, net	(199,082)	31,084	(6,330)	(174,328)	-	(174,328)
Net premiums earned	421,324	79,419	7,986	508,729	-	508,729
Re-insurance commission income	8,673	5,716	6,981	21,370	-	21,370
<u>TOTAL REVENUES</u>	429,997	85,135	14,967	530,099	-	530,099
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(310,644)	(85,275)	(53,105)	(449,024)	-	(449,024)
Expenses incurred related to claims	-	(3,796)	(1,261)	(5,057)	-	(5,057)
Hospital discount	20,997	-	-	20,997	-	20,997
Re-insurers' share of claims paid	3,521	20,662	51,804	75,987	-	75,987
Net claims and other benefits paid	(286,126)	(68,409)	(2,562)	(357,097)	-	(357,097)
Changes in outstanding claims, net	(55,239)	6,390	(1,230)	(50,079)	-	(50,079)
Changes in incurred but not reported claims, net	(31,806)	(4,844)	729	(35,921)	-	(35,921)
Net claims and other benefits incurred	(373,171)	(66,863)	(3,063)	(443,097)	-	(443,097)
Premium deficiency reserve	10,299	-	(1,074)	9,225	-	9,225
Other technical reserves	(2,275)	(231)	(1,483)	(3,989)	-	(3,989)
Policy acquisition costs	(11,108)	(6,112)	(4,041)	(21,261)	-	(21,261)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(376,255)	(73,206)	(9,661)	(459,122)	-	(459,122)
NET UNDERWRITING INCOME	53,742	11,929	5,306	70,977	-	70,977
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Reversal of doubtful debts				11,183	-	11,183
General and administrative expenses				(82,750)	(1,918)	(84,668)
Special commission income				4,909	3,542	8,451
Other income				1,693	-	1,693
<u>Total Other Operating Expenses, net</u>				(64,965)	1,624	(63,341)
<u>Net income for the period before appropriation and before zakat and income tax</u>				6,012	1,624	7,636

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

For the period ended March 31, 2020

22 Operating segments

	Medical	Motor	Property & casualty	Total
	SAR'000			
<u>Gross premiums written</u>				
Large enterprise	684,941	137,535	82,133	904,609
Medium enterprise	106,808	23,676	40,554	171,038
Small enterprise	63,704	3,938	13,843	81,485
Micro enterprise	37,792	1,490	5,302	44,584
Individual	5,512	51,831	1,159	58,502
TOTAL GROSS PREMIUMS WRITTEN	898,757	218,470	142,991	1,260,218

For the period ended March 31, 2019

Operating segments

	Medical	Motor	Property & casualty	Total
	SAR'000			
<u>Gross premiums written</u>				
Large enterprise	735,026	8,989	85,696	829,711
Medium enterprise	44,823	3,963	30,534	79,320
Small enterprise	49,238	4,036	2,783	56,057
Micro enterprise	26,776	629	11,644	39,049
Individual	-	72,943	163	73,106
TOTAL GROSS PREMIUMS WRITTEN	855,863	90,560	130,820	1,077,243

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

23 SUPPLEMENTARY INFORMATION

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	March 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents`	571,557	77,918	649,475	257,680	33,536	291,216
Short term deposits	255,988	83,245	339,233	91,835	175,049	266,884
Premium and reinsurers' receivable, net	717,259	-	717,259	572,215	-	572,215
Reinsurers' share of unearned premiums	693,025	-	693,025	290,619	-	290,619
Reinsurers' share of outstanding claims	416,855	-	416,855	334,829	-	334,829
Reinsurers' share of claims incurred but not reported	227,489	-	227,489	222,617	-	222,617
Deferred policy acquisition costs	75,391	-	75,391	67,196	-	67,196
Due from related parties, net	1,994	-	1,994	63	-	63
Due from / to shareholders` / insurance operation	575,372	(575,372)	-	606,999	(606,999)	-
Prepayment and other assets, net	415,287	4,326	419,613	250,571	3,270	253,841
Available for sale investments	10,251	473,782	484,033	10,181	469,264	479,445
Right of use assets, net	24,068	-	24,068	25,854	-	25,854
Property and equipment, net	17,688	30,000	47,688	16,170	30,000	46,170
Intangible assets, net	6,347	-	6,347	4,719	-	4,719
Deferred tax asset	-	11,473	11,473	-	11,962	11,962
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	9,393	9,393	-	9,393	9,393
Accrued commission on statutory deposit	-	23,864	23,864	-	23,864	23,864
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	4,008,571	738,629	4,747,200	2,751,548	749,339	3,500,887

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

	SAR '000					
	March 31, 2020			December 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>LIABILITIES</u>						
Accrued expenses and other liabilities	106,270	1,013	107,283	58,468	1,154	59,622
Accounts and commission payable	105,489	-	105,489	137,744	-	137,744
Lease liability	22,519	-	22,519	25,903	-	25,903
Reinsurers' balances payable	541,377	-	541,377	107,488	-	107,488
Gross unearned premiums	1,564,964	-	1,564,964	985,437	-	985,437
Unearned reinsurance commission	128,947	-	128,947	31,161	-	31,161
Gross outstanding claims	779,159	-	779,159	466,610	-	466,610
Claims incurred but not reported	607,854	-	607,854	751,200	-	751,200
Premium deficiency reserve	11,676	-	11,676	20,529	-	20,529
Other technical reserves	13,402	-	13,402	14,894	-	14,894
Due to a related party	-	-	-	17,080	-	17,080
End of service indemnities	18,569	-	18,569	27,451	-	27,451
Surplus distribution payable	113,253	-	113,253	112,561	-	112,561
Zakat & income tax	-	16,711	16,711	-	13,188	13,188
Accrued commission income payable to SAMA	-	23,864	23,864	-	23,864	23,864
<u>TOTAL LIABILITIES</u>	4,013,479	41,588	4,055,067	2,756,526	38,206	2,794,732
<u>INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u>						
Fair values reserve gain on investments	251	-	251	181	-	181
Re-measurement of defined benefit liability – employees benefits	(5,159)	-	(5,159)	(5,159)	-	(5,159)
<u>TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u>	(4,908)	-	(4,908)	(4,978)	-	(4,978)
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	800,000	800,000	-	800,000	800,000
Statutory reserve	-	146,135	146,135	-	146,135	146,135
Accumulated losses	-	(252,248)	(252,248)	-	(256,482)	(256,482)
Fair values reserve gain on investments	-	3,154	3,154	-	21,480	21,480
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	697,041	697,041	-	711,133	711,133
<u>TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY</u>	4,008,571	738,629	4,747,200	2,751,548	749,339	3,500,887

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	March 31, 2020			March 31, 2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
-Direct	1,260,218	-	1,260,218	1,077,243	-	1,077,243
-Reinsurance	-	-	-	-	-	-
	1,260,218	-	1,260,218	1,077,243		1,077,243
Reinsurance premiums ceded						
-Local	(7,280)	-	(7,280)	(1,837)	-	(1,837)
-Abroad	(665,032)	-	(665,032)	(380,407)	-	(380,407)
	(672,312)	-	(672,312)	(382,244)	-	(382,244)
Excess of loss expenses – foreign	(14,303)	-	(14,303)	(11,942)	-	(11,942)
Net written premiums	573,603	-	573,603	683,057	-	683,057
Changes in unearned premiums, net	(177,120)	-	(177,120)	(174,328)	-	(174,328)
Net premiums earned	396,483	-	396,483	508,729	-	508,729
Re-insurance commissions	42,276	-	42,276	21,370	-	21,370
TOTAL REVENUES	438,759	-	438,759	530,099	-	530,099
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(340,014)	-	(340,014)	(449,024)	-	(449,024)
Expenses incurred related to claims	(5,740)	-	(5,740)	(5,057)	-	(5,057)
Hospital discount	21,199	-	21,199	20,997	-	20,997
Reinsurers' share of claims paid	81,625	-	81,625	75,987	-	75,987
Net claims and other benefits paid	(242,930)	-	(242,930)	(357,097)	-	(357,097)
Changes in outstanding claims, net	(230,523)	-	(230,523)	(50,079)	-	(50,079)
Changes in incurred but not reported claims, net	148,219	-	148,219	(35,921)	-	(35,921)
Net claims and other benefits incurred	(325,234)	-	(325,234)	(443,097)	-	(443,097)
Additional premium deficiency reserve	8,853	-	8,853	9,225	-	9,225
Other technical reserves	1,492	-	1,492	(3,989)	-	(3,989)
Policy acquisition costs	(21,998)	-	(21,998)	(21,261)	-	(21,261)
TOTAL UNDERWRITING COSTS AND	(336,887)	-	(336,887)	(459,122)	-	(459,122)
NET UNDERWRITING INCOME/ (LOSS)	101,872	-	101,872	70,977	-	70,977
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
(Allowance for) / reversal of doubtful debts	(7,000)	-	(7,000)	11,183	-	11,183
General and administrative expenses	(90,431)	(1,325)	(91,756)	(82,750)	(1,918)	(84,668)
Special commission income	1,821	3,341	5,162	4,909	3,542	8,451
Other income	660	-	660	1,693	-	1,693
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(94,950)	2,016	(92,934)	(64,965)	1,624	(63,341)
<u>NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	6,922	2,016	8,938	6,012	1,624	7,636
Shareholders' appropriation from deficit	(6,230)	6,230	-	(5,411)	5,411	-
<u>NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	692	8,246	8,938	601	7,035	7,636
Zakat and income tax						
Current zakat and income tax	-	(3,523)	(3,523)	-	(3,053)	(3,053)
Deferred tax	-	(489)	(489)	-	(1,041)	(1,041)
Net income for the period	692	4,234	4,926	601	2,941	3,542

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	For the period ended March 31					
	SAR '000					
	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income for the period	692	4,234	4,926	601	2,941	3,542
Other comprehensive income / (loss)						
Item that will not be reclassified to statement of income in subsequent period						
-Re-measurement of employees end of service indemnities	-	-	-	-	-	-
Items that are or may be reclassified to statement of income in subsequent periods						
<u>Available for sale investments</u>						
- Net change in fair values	70	(18,326)	(18,256)	-	1,768	1,768
<u>TOTAL COMPREHENSIVE INCOME/ (LOSS)</u>	762	(14,092)	(13,330)	601	4,709	5,310
<u>Reconciliation:</u>						
<u>Less:</u> Net income attributable to insurance operations and transferred to surplus distribution payable.			(692)			(601)
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>			(14,022)			4,709

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

23 SUPPLEMENTARY INFORMATION

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR '000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	For the three period ended March 31, 2020			For the three month period ended March 31, 2019		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat and income tax	692	8,246	8,938	601	7,035	7,636
Adjustments for non-cash items:						
Depreciation and amortization	2,279	-	2,279	2,032	-	2,032
Allowance for / (Reversal of) doubtful debts	7,000	-	7,000	(11,183)	-	(11,183)
Special commission income	(1,821)	(3,341)	(5,162)	(4,909)	(3,542)	(8,451)
Provision for end of service indemnities	(8,648)	-	(8,648)	(5,019)	-	(5,019)
	(498)	4,905	4,407	(18,478)	3,493	(14,985)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(145,044)	-	(145,044)	(1,813)	-	(1,813)
Reinsurers' share of unearned premiums	(402,406)	-	(402,406)	(238,238)	-	(238,238)
Reinsurers' share of outstanding claims	(82,026)	-	(82,026)	7,072	-	7,072
Reinsurers' share of claims Incurred but not reported	(4,872)	-	(4,872)	(32,928)	-	(32,928)
Deferred policy acquisition costs	(8,195)	-	(8,195)	(3,677)	-	(3,677)
Prepayment and other assets	(171,716)	(1,056)	(172,772)	(166,498)	(1,409)	(167,907)
Deposit against letter of guarantee	(2,959)	-	(2,959)	(7,917)	-	(7,917)
Right of use assets	1,786	-	1,786	(28,550)	-	(28,550)
Accounts and commission payable	(32,255)	-	(32,255)	(16,926)	-	(16,926)
Accrued expenses and other liabilities	47,802	(141)	47,661	31,058	1,083	32,141
Lease liability	(3,384)	-	(3,384)	25,236	-	25,236
Reinsurers' balances payable	433,889	-	433,889	287,396	-	287,396
Gross unearned premiums	579,527	-	579,527	412,566	-	412,566
Unearned reinsurance commission	97,786	-	97,786	35,400	-	35,400
Gross outstanding claims	312,549	-	312,549	43,007	-	43,007
Claims incurred but not reported	(143,346)	-	(143,346)	68,849	-	68,849
Premium deficiency reserves	(8,853)	-	(8,853)	(9,225)	-	(9,225)
Other technical reserves	(1,492)	-	(1,492)	3,989	-	3,989
Due from related party	(1,931)	-	(1,931)	-	-	-
Due to related party	(17,080)	-	(17,080)	2,230	-	2,230
	447,282	3,708	450,990	392,553	3,167	395,720
Payment of employees end of service indemnities	(234)	-	(234)	(2,638)	-	(2,638)
Zakat and income tax paid	-	-	-	-	-	-
Net cash from operating activities	447,048	3,708	450,756	389,915	3,167	393,082
CASH FLOWS FROM INVESTING ACTIVITIES						
(Purchase) / disposal of available for sale investments	-	(22,845)	(22,845)	10,000	(233,736)	(223,736)
Special commission income	1,821	3,341	5,162	4,909	3,542	8,451
(Placements) / proceeds in / from short term deposits	(164,153)	91,804	(72,349)	(159,565)	-	(159,565)
Additions in property, equipment and intangible	(5,425)	-	(5,425)	(682)	-	(682)
Net cash (used in) / generated from investing activities	(167,757)	72,300	(95,457)	(145,338)	(230,194)	(375,532)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders operation	31,627	(31,627)	-	(36,060)	36,060	-
Net cash (used in) / generated from financing activities	31,627	(31,627)	-	(36,060)	36,060	-
Net change in cash and cash equivalents	310,918	44,381	355,299	208,517	(190,967)	17,550
Cash and cash equivalents, beginning of the period	177,359	33,537	210,896	647,289	410,183	1,057,472
Cash and cash equivalents, end of the period	488,277	77,918	566,195	855,806	219,216	1,075,022

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

24 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

25 NON ADJUSTING EVENT

In response to the Covid-19 pandemic, SAMA issued a decree 189 (the “decree”) dated 08 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the decree instructs insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this decree. The management believes the requirements of the decree to be a non-adjusting event.

26 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company, on 15 Shawwal 1441H, corresponding to 7 June 2020G.