

**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 AND NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2021**

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

INDEX	PAGE
INDEPENDENT AUDITORS' REVIEW REPORT	1
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	2-3
INTERIM CONDENSED STATEMENT OF INCOME	4
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	5
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	6
INTERIM CONDENSED STATEMENT OF CASH FLOWS	7
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION	8-43

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (a Saudi Joint Stock Company) (the "Company") as at 30 September 2021 and the related interim condensed statements of income and comprehensive income for the three month and nine month periods then ended and changes in equity and cash flows for the nine months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

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.

CONCLUSION

Based on our review, 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. The Company did not meet the solvency margin requirements as at 30 September 2021. 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 modified with respect to this matter.

Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia



Abdullah M. AlAzem
Certified Public Accountant
License No. 335

AlKharashi & Co. Certified Accountants
And Auditors
P. O. Box 8306
Riyadh 11482
Kingdom of Saudi Arabia


Suleiman A. Al-Kharashi
Certified Public Accountant
License No. 91

08 November 2021
03 Rabi Al-Akhar 1443H



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION


AS AT SEPTEMBER 30, 2021

		SAR '000	
		September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	Notes		
ASSETS			
Cash and cash equivalents	6	335,214	417,509
Short term deposits	7	50,000	18,477
Premium and reinsurers' receivable, net	8	709,051	866,983
Reinsurers' share of unearned premiums	10 c	346,657	220,301
Reinsurers' share of outstanding claims	10 a	603,390	474,022
Reinsurers' share of claims incurred but not reported	10 a	209,138	261,982
Deferred policy acquisition costs		53,915	60,156
Due from related parties, net	9	1,994	1,994
Prepayment and other assets, net		165,668	229,842
Available for sale investments	12	667,230	590,916
Right of use assets, net		9,766	16,285
Property and equipment, net		45,475	46,548
Intangible assets, net		9,354	7,094
Statutory deposit	13	120,000	120,000
Investment in an associate	11	11,112	9,734
Accrued commission on statutory deposit	19	27,974	26,626
Goodwill	14	480,000	480,000
TOTAL ASSETS		3,845,938	3,848,469

The accompanying notes 1 to 25 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 SEPTEMBER 30, 2021


		SAR '000	
Notes	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)	
<u>LIABILITIES</u>			
Accrued expenses and other liabilities		214,063	192,132
Accounts and commission payable		130,372	144,715
Lease liability		8,926	16,596
Reinsurers' balances payable		224,438	165,531
Gross unearned premiums	10 c	944,689	1,023,041
Unearned reinsurance commission		44,874	32,914
Gross outstanding claims	10 a	791,377	685,512
Claims incurred but not reported	10 a	511,415	614,201
Premium deficiency reserves	10 b	53,441	31,456
Other technical reserves	10 b	25,349	27,294
Due to a related party	9	826	751
End of service indemnities		20,395	24,405
Surplus distribution payable		83,869	89,393
Zakat & income tax	17 b	16,025	12,767
Deferred tax liability	17 d	2,188	1,438
Accrued commission income payable to SAMA	19	27,974	26,626
TOTAL LIABILITIES		3,100,221	3,088,772
<u>EQUITY</u>			
Share capital	18	700,000	800,000
Statutory reserve	16	26,135	26,135
Accumulated losses		(11,322)	(99,569)
Re-measurement of defined benefit liability – employees benefits		(5,505)	(5,505)
Fair values reserve on investments		36,409	38,636
TOTAL EQUITY		745,717	759,697
TOTAL LIABILITIES AND EQUITY		3,845,938	3,848,469

COMMITMENTS AND CONTINGENCIES

21

The accompanying notes 1 to 25 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 AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

		SAR'000			
		For the three month period ended		For the nine month period ended	
		September 30,	September 30,	September 30,	September 30,
		2021	2020	2021	2020
Notes		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES					
	Gross premiums written				
	-Direct	378,230	422,137	1,699,890	1,934,050
	-Reinsurance	-	-	-	-
		378,230	422,137	1,699,890	1,934,050
	Reinsurance premiums ceded				
	-Local	(31,644)	(676)	(146,624)	(1,291)
	-Abroad	(305,873)	(71,548)	(525,166)	(810,945)
		(337,517)	(72,224)	(671,790)	(812,236)
	Excess of loss expenses – foreign	(15,260)	(13,802)	(45,779)	(42,055)
	Net written premiums	25,453	336,111	982,321	1,079,759
	Changes in unearned premiums, net	250,079	3,645	204,708	49,036
	Net premiums earned	275,532	339,756	1,187,029	1,128,795
	Re-insurance commissions	47,609	44,956	82,549	133,811
	TOTAL REVENUES	323,141	384,712	1,269,578	1,262,606
UNDERWRITING COSTS AND EXPENSES					
	Gross claims paid	(605,388)	(533,404)	(1,612,494)	(1,382,515)
	Expenses incurred related to claims	(6,548)	(10,368)	(16,563)	(24,009)
	Hospital discount	30,574	16,373	71,936	56,173
	Reinsurers' share of claims paid	233,961	169,396	490,870	372,300
	Net claims and other benefits paid	(347,401)	(358,003)	(1,066,251)	(978,051)
	Changes in outstanding claims, net	82,513	57,664	23,503	(27,950)
	Changes in incurred but not reported claims, net	20,350	35,615	49,942	169,168
	Net claims and other benefits incurred	(244,538)	(264,724)	(992,806)	(836,833)
	Additional premium deficiency reserve	(13,759)	10,579	(21,986)	(16,483)
	Other technical reserves	849	207	1,945	1,510
	Policy acquisition costs	(28,883)	(23,606)	(73,034)	(79,794)
	TOTAL UNDERWRITING COSTS AND EXPENSES	(286,331)	(277,544)	(1,085,881)	(931,600)
	NET UNDERWRITING INCOME	36,810	107,168	183,697	331,006
OTHER OPERATING (EXPENSES) / INCOME					
	Reversal of / (Allowance for) doubtful debts	11,548	(13,500)	22,858	(38,115)
	General and administrative expenses	(89,506)	(97,800)	(246,913)	(281,388)
	Special commission income	5,621	3,822	12,104	12,749
	Income from investment in associate	-	-	1,378	2,211
	Dividend income	2,231	1,700	5,953	4,110
	Realized gain on available for sale investment	8,354	4,769	13,298	5,386
	Other income	1,562	1,434	2,622	9,949
	TOTAL OTHER OPERATING EXPENSES	(60,190)	(99,575)	(188,700)	(285,098)
	NET (LOSS) / INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	(23,380)	7,593	(5,003)	45,908
	Net income attributed to insurance operation	-	-	-	(3,031)
	NET (LOSS) / INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	(23,380)	7,593	(5,003)	42,877
	Zakat and income tax				
	Current zakat and income tax	(2,000)	(3,522)	(6,000)	(10,568)
	Deferred tax	(250)	(490)	(750)	(1,470)
	Net (loss) / income for the period	(25,630)	3,581	(11,753)	30,839
	(Loss) / Earnings per share				
	(Loss) / Earnings per share (SAR per share)	18 b	(0.37)	0.05	(0.16)
					0.41

Restated

Restated

The accompanying notes 1 to 25 form an integral part of these financial statements.

Chairman of the Board of Directors

Chief Executive Officer

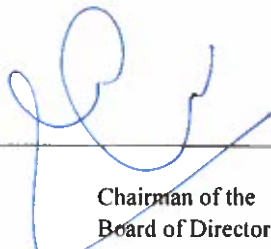
Chief Financial Officer


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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

		SAR'000			
		For the three month period ended		For the nine month period ended	
Notes		September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
	Net (loss) / income for the period	(25,630)	3,581	(11,753)	30,839
	Other comprehensive (loss) / income				
	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 71	71	214	252
	- Net change in fair values, shareholders' operations	(5,781)	24,626	(2,441)	18,890
	<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>	(31,340)	28,278	(13,980)	49,981

The accompanying notes 1 to 25 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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021


(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, 2021 (Audited)		800,000	26,135	(99,569)	38,636	(5,505)	759,697
Capital reduction		(100,000)	-	100,000	-	-	-
Total comprehensive loss for the period:							
-Net loss for the period		-	-	(11,753)	-	-	(11,753)
-Change in fair values	12 a&b	-	-	-	(2,227)	-	(2,227)
Balance as at September 30, 2021 (Unaudited)		700,000	26,135	(11,322)	36,409	(5,505)	745,717

	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) (Restated)	800,000	146,135	(256,482)	21,661	(5,159)	706,155
Reduction of statutory reserves	-	(120,000)	120,000	-	-	-
Total comprehensive income for the period:						
-Net income for the period	-	-	30,839	-	-	30,839
-Change in fair values	-	-	-	19,142	-	19,142
Balance as at September 30, 2020 (Unaudited)	800,000	26,135	(105,643)	40,803	(5,159)	756,136

The accompanying notes 1 to 25 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 CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) / income for the period before zakat and income tax

Adjustments for non-cash items:

Depreciation and amortization

Allowance for / (Reversal of) doubtful debts

Income from investment in associate

Realized gain on available for sale investment

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

Surplus paid to policyholders

Payment of employees end of service indemnities

Zakat and income tax paid

Net cash from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Dividend from investment in an associate

Interest on statutory deposit

Interest payable on statutory deposit

Purchase of available for sale investments

Proceeds from disposal of available for sale investments

(Placements in) / proceeds from short term deposits

Additions in property, equipment and intangible

Net cash (used in) / from 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

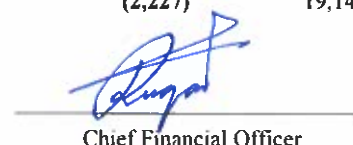
Change in fair value of available for sale investments

The accompanying notes 1 to 25 form an integral part of these financial statements.

Notes	SAR '000	
	For the nine month period ended	
	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
	(5,003)	45,908
	6,899	7,168
	(22,858)	38,115
11	(1,378)	(2,211)
	(13,298)	(5,386)
	(167)	5,551
	(35,805)	89,145
	180,790	(128,733)
	(126,356)	(78,234)
	(129,368)	(81,540)
	52,844	(29,524)
	6,241	(3,441)
	64,174	135,002
	(3,414)	4,262
	6,519	7,027
	(14,343)	(17,845)
	21,929	66,158
	(7,670)	(7,598)
	58,907	156,337
	(78,352)	29,198
	11,960	32,462
	105,865	109,490
	(102,786)	(139,645)
	21,986	16,483
	(1,945)	(1,510)
	-	(1,931)
	75	(16,758)
	31,251	138,805
	(5,524)	(21,139)
	(3,842)	(14,171)
17	(2,742)	(5,011)
	19,143	98,484
	-	3,601
	1,348	2,677
	(1,348)	(2,677)
	(242,265)	(138,345)
	177,022	41,171
	(31,523)	128,407
	(8,086)	(9,219)
	(104,852)	25,615
	(85,709)	124,099
6	338,665	210,896
6	252,956	334,995
	(2,227)	19,142


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)**

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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 Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and the Regulations for Companies in the Kingdom of Saudi Arabia.

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 AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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

The Company is yet to meet its solvency margin requirement.

The Board resolved at 18 December 2019 to reduce statutory reserve amounting to SAR 120 million against the accumulated losses which had been approved in Annual General Assembly meeting held on 3 June 2020 and adjusted accordingly. The Board of directors in their meeting held on 5 October 2020, recommended to reduce share capital by SAR 100 million , the capital reduction was approved by extraordinary general assembly dated 22 April 2021. Further Board resolved to increase capital through right issue with total proceeds of SAR 420 million, the Company obtained SAMA approval dated 06 June 2021, Capital Market Authority (CMA) approval dated 30 September 2021 and is subject to the approval of the general assembly of the Company.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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 AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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	
	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Cash and bank balances	108,143	152,505
Deposits maturing within 3 months from the acquisition date	100,502	120,084
Cash and cash equivalent in the statement of cash flows	208,645	272,589
Deposit against letter of guarantee	82,258	78,844
	290,903	351,433

	SAR'000	
	Shareholders' operations	
	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Cash and bank balances	32,050	16,054
Deposits maturing within 3 months from the acquisition date	12,261	50,022
	44,311	66,076
Cash and bank balances	335,214	417,509
Cash and cash equivalents in the statement of cash flow	252,956	338,665

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 0.52% per annum (2020: 1.15% 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% per annum (2020: 2.13% per annum).

For the period ended 30 September 2021 the carrying amounts of the short term deposits reasonably approximate the fair value at the interim condensed financial position date.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

8 PREMIUM AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	SAR'000	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Policyholders	334,620	373,784
Brokers and agents	319,590	549,284
Premiums receivables	654,210	923,068
Less: Allowance for doubtful debts	(84,196)	(101,662)
	570,014	821,406
Reinsurers' receivable	295,343	207,275
Less: Allowance for doubtful debts	(156,306)	(161,698)
	139,037	45,577
Premium and reinsurers' receivable – net	709,051	866,983

As disclosed in note 9.c, the Company, together with CRC carried 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 completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the Company has booked full provision for this balance and disclosed under due from other related parties in note 9.

As at September 30, 2021, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	SAR'000	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at the beginning of the period / year	263,360	467,230
Write off during the period / year	-	(230,615)
Provision for the period / year	(22,858)	26,745
Balance at the end of the period / year	240,502	263,360

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

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 Nine months period ended		Balance receivable / (payable) as at	
		September 30 , 2021	September 30, 2020	September 30 , 2021	December 31, 2020
		SAR'000			
<u>Due from / to related parties</u>					
Medgulf BSC - Head office account (major shareholder)	-Balance due from at period / year end			2,453	2,453
	-Allowance for doubtful debts			(2,390)	(2,390)
	-Net Balance due from at period / year end			63	63
Medivisa KSA (affiliate)	-Balance due from / (due to) at period / year end			1,931	1,931
Al-Waseel for Electronic Transportation (Associate)	-Claims management fee	3,629	4,463		
	-Balance due from / (due to) at period / year end			(826)	(751)
Total due from related parties				1,994	1,994
Total due to related parties				(826)	(751)
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	1,724	(3,765)	1,897	173
	-Statutory deposit (refer note 9.a (i))	1,204	2,677	147,830	146,626
	-Gross written premiums	6,937	5,429		
	-Claims incurred	23,228	4		
	-Premiums receivable			5,136	
Medivisa KSA (affiliate)	-Medical Claim Jordan / Balance	-	-	-	-
	-Medical claim Lebanon / balance	-	(654)	(654)	(654)
	-Medical claim Egypt / balance	-	(81)	(81)	(81)
Al Istithmar Capital (subsidiary of SIB- founding shareholder)	-Current account	-	2,541	2,542	2,542

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the Nine months period ended		Balance receivable / (payable) as at	
		September 30 ,	September 30,	September 30 ,	December 31,
		2021	2020	2021	2020
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Abunayyan trading Co (Under common directorship)	-Gross written premiums	(281)	(25)		
	-Claims incurred	4,443	4,082		
	-Premiums receivable			-	255
Medgulf BSC (major shareholder)	-Reinsurance recovery (refer 9.a(ii))			5,203	5,203
	-Allowance for doubtful debts			(3,902)	(3,902)
	-Net balance due from at period / year end			1,301	1,301
Industrial instrumentation and control	-Gross written premiums	(11)	32		
	-Claims incurred	412	190		
	-Premiums receivable			-	307
Saudi Fransi Capital (Under common directorship)	-Investment portfolio	(423,600)	286,964	-	423,600
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at period / year end			3,856	3,856
	-Allowance for doubtful debts			(3,856)	(3,856)
	-Net balance due from at period / year end			-	-
Citiscap (Under common directorship)	-Gross written premiums	(131)	150		
	-Claims incurred	945	575		
	-Premiums receivable			-	1,353
Middle east agriculture (Under common directorship)	-Gross written premiums	(23)	(4)		
	-Claims incurred	525	359		
	-Premiums receivable			-	477
	-Allowance for doubtful debts			-	-
	-Net balance due from at period / year end			-	477

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the Nine months period ended		Balance receivable / (payable) as at	
		September 30 , 2021	September 30, 2020	September 30 , 2021	December 31, 2020
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Electronic and electric industry (Under common directorship)	-Gross written premiums	21	(23)		
	-Claims incurred	326	761		
	-Premiums receivable			6	233
	-Allowance for doubtful debts			(1)	-
	-Net balance due from at period / year end			5	233
Addison Bradley International / Medgulf Lebanon (affiliate)	-Balance receivable at year end (Refer 9.c)			59,498	59,498
	-Allowance for doubtful debts			(59,498)	(59,498)
	-Net balance due from at period / year end			-	-
Arabian qudra (Under common directorship)	-Gross written premiums	(48)	(16)		
	-Claims incurred	290	377		
	-Premiums receivable			-	408
	-Allowance for doubtful debts			-	-
	-Net balance due from at period / year end			-	408
Tumpane jubar (Under common directorship)	-Gross written premiums	(42)	6		
	-Claims incurred	461	542		
	-Premiums receivable			-	721
Addison Bradley Arabia-KSA (affiliate)	-Reinsurance recoveries (Refer 9.a (iii))	-	(767)		
	-Balance due from at period / year end			15,814	15,814
	-Allowance for doubtful debts			(11,860)	(11,853)
	-Net balance due from at period / year end			3,954	3,961
Alakaria (Under common directorship)	-Gross written premiums	1	-		32
	-Claims incurred	10			
	-Premiums receivable			2	32
	-Allowance for doubtful debts			(1)	
Al Issa Group (Under common directorship)	-Gross written premiums	73,205	-		
	-Claims incurred	34,542	-		
	-Premiums receivable			22,693	30,231
	-Allowance for doubtful debts			(138)	(189)
	-Net balance due from at period / year end			22,555	30,042

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the Nine months period ended		Balance receivable / (payable) as at	
		September 30 , 2021	September 30, 2020	September 30 , 2021	December 31, 2020
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Vision International Investment Company (Under common directorship)	-Gross written premiums	12	-		
	-Claims incurred	447	-		
	-Premiums receivable			-	341
	-Allowance for doubtful debts			-	-
	-Net balance due from at period / year end			-	341
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at period / year end			1,472	1,472
	-Allowance for doubtful debts			(1,472)	(1,472)
	-Net balance due from at period / year end (Refer 9.a (iv))			-	-
Saudi meter company (Under common directorship)	-Gross written premiums	(1)	17		
	-Claims incurred	127	72		
	-Premiums receivable			3	146
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	(152)	45		
	-Claims incurred	1,553	1,757		
	-Premiums receivable			-	2,090

9.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 0.6% per annum.

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021

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 nine month period ended September 30, 2021 and 2020:

Nine month period ended September 30, 2021
(Unaudited)

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	4,752
Allowances	240	-
Annual remuneration	2,372	-
End of service indemnities	-	200
	2,612	4,952

Nine month period ended September 30, 2020
(Unaudited)

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	7,328
Allowances	275	-
Annual remuneration	2,712	-
End of service indemnities	-	2,248
	2,987	9,576

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 carried 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 completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the company has booked full provision for this balance.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

10 TECHNICAL RESERVES

a) Outstanding Claims and IBNR

	September 30, 2021			December 31, 2020		
	(Unaudited)			(Audited)		
	Gross	Re-insurance share	Net	Gross	Re-insurance share	Net
	SAR'000			SAR'000		
Outstanding claims	791,377	(603,390)	187,987	685,512	(474,022)	211,490
Claims incurred but not reported	511,415	(209,138)	302,277	614,201	(261,982)	352,219
	1,302,792	(812,528)	490,264	1,217,810	(557,446)	563,709

b) Other Technical Reserves

	September 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
	SAR'000	
Premium deficiency reserve	53,441	31,456
Others	25,349	27,294
Other reserves at end of the period / year	78,790	58,750

c) Unearned Premiums

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

For the period ended September 30, 2021

	(Unaudited)		
	Gross	Re-insurance	Net
SAR'000			
Balance at the beginning of the period / year	1,023,041	(220,301)	802,740
Premium written during the period	1,699,890	(671,790)	1,028,100
Premium earned during the period	(1,778,242)	1,238,748	(539,494)
Balance at the end of the period	944,689	346,657	1,291,346

For the year ended December 31, 2020

	(Audited)		
	Gross	Re-insurance	Net
SAR'000			
Balance at the beginning of the year	985,437	(290,619)	694,818
Premium written during the year	2,534,501	(893,783)	1,640,718
Premium earned during the year	(2,496,897)	964,101	(1,532,796)
Balance at the end of the year	1,023,041	(220,301)	802,740

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

11 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 11,112 thousand (a 25% equity interest) (2020: SAR 9,734), in an unquoted company (the “associate”), registered in the Kingdom of Saudi Arabia.

	SAR'000	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At the beginning of the period / year	9,734	9,393
Dividend received from investment in an associate	-	(3,601)
Income from investment in an associate	1,378	3,942
At the end of period / year	11,112	9,734

12 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as set out below:

a) Insurance Operations - Available for sale investments

	SAR'000	
SAR'000	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Type of Investments		
-Mutual Fund	10,716	10,502
-Sukuk	20,000	-
	30,716	10,502

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 insurance operations amounting to SAR 214 thousand (31 December 2020: SAR 321 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 insurance's operations were as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At the beginning of the period / year	10,502	10,181
Purchase during the period / year	77,500	-
Sold during the period / year	(57,500)	-
Net change in fair values	214	321
At the end of the period / year	30,716	10,502

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

12 AVAILABLE FOR SALE INVESTMENTS (Continued)

b) Shareholders' Operations - Available for sale investments

	SAR'000	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Type of Investments		
-Equity	181,565	186,407
-Mutual Fund	132,384	134,086
-Sukuks	322,565	259,921
	636,514	580,414

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 2,441 thousand (31 December 2020: SAR 16,654 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	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At the beginning of the period / year	580,414	469,264
Purchase during the period / year	164,765	299,335
Sold during the period / year	(106,224)	(204,839)
Net change in fair values / year	(2,441)	16,654
At the end of the period / year	636,514	580,414

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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 2020: 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 30 September 2021, 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
September 30, 2021 (Unaudited)				
Available for sale investments				
- Mutual Fund	10,716	-	-	10,716
- Sukuk	-	20,000	-	20,000
Total available for sale investments	10,716	20,000	-	30,716

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

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, 2020 (Audited)				
Available for sale investments				
- Mutual Fund	10,502	-	-	10,502
Total available for sale investments	10,502	-	-	10,502

SAR'000s	Level 1	Level 2	Level 3	Total
----------	---------	---------	---------	-------

2. Shareholders' operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
September 30, 2021 (Unaudited)				
Available for sale investments				
- Mutual Fund	132,384	-	-	132,384
- Sukuk	-	322,565	-	322,565
- Equities	179,642	-	1,923	181,565
Total available for sale investments	312,026	322,565	1,923	636,514

SAR'000s	Level 1	Level 2	Level 3	Total
----------	---------	---------	---------	-------

December 31, 2020 (Audited)

Available for sale investments

- Mutual Fund	134,086	-	-	134,086
- Sukuk	-	249,921	10,000	259,921
- Equities	184,484	-	1,923	186,407
Total available for sale investments	318,570	249,921	11,923	580,414

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

13 STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. The Statutory deposit is placed at the commission rate of 2.4% per anum (2020 : 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, 2020 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 Board of directors in their meeting held on 6 October 2020, recommended to reduce share capital by SAR 100 million , the capital reduction was approved by extraordinary general assembly dated 22 April 2021. Further Board resolved to increase capital by SAR 420 million through right issue, the Company obtained SAMA approval dated 06 June 2021, Capital Market Authority (CMA) approval dated 30 September 2021 and is subject to the approval of the general assembly of the Company.

The Company is not in compliance with the solvency margin required by SAMA (refer note 2 - going concern).

16 STATUTORY RESERVES

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 December 2020, no transfer was made to statutory reserve.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

17 ZAKAT AND INCOME TAX

a) Income tax charge for the period / year

There was no income tax in the period ended September 30, 2021 and year ended December 31, 2020 due to net adjusted losses incurred. All changes during the period represents zakat.

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	
	30 September 2021 (Unaudited)	31 December 2020 (Audited)
At the beginning of the period / year	12,767	13,188
Charge - current period / year	6,000	4,591
Charge - prior period / year	-	-
Payments during the period / year	(2,742)	(5,012)
At the end of the period / year	16,025	12,767

The provision for zakat and income tax for the period is 6,000 thousand (30 September 2020: SR 10,568 thousand).

c) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the year up to 31 December 2020 with the Zakat, Tax and Customs Authority (ZATCA). The Company has received final clearance certificate till 2016 and final assessments from the year 2017 and onwards are awaited from the ZATCA.

During the year 2020, the Company received VAT assessment from ZATCA amounting to SAR 23.2 million. the Company paid the amount in full and filed an appeal to ZATCA for the recovery of the same. Subsequently, ZATCA approved an input adjustment amounting to SAR 10.6 million and the company filed an appeal to GSTC to recover the remaining amount of SAR 12.6 million against which a provision of SAR 10 million has been recorded.

d) Deferred tax liability

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	
	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Opening deferred tax liability / asset	(1,438)	11,962
Origination or reversal of temporary differences	(750)	(13,400)
Closing deferred tax liability	(2,188)	(1,438)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

18 SHARE CAPITAL AND EARNINGS PER SHARE

a) Share capital

The authorized and paid up share capital of the Company is SAR 700 million divided into 70 million shares of SAR 10 each.

The Board of directors in their meeting held on 6 October 2020, recommended to reduce share capital by SAR 100 million , the capital reduction was approved by extraordinary general assembly dated 22 April 2021.

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.

	For the three month period ended	
	SAR '000	
	30 September 2021	30 September 2020
	(Unaudited)	(Unaudited)
Net (loss) / income for the period	(25,630)	3,581
Weighted average number of ordinary shares	70,000	70,000
(Loss) / Earnings per share	(0.37)	0.05
	Restated	

	For the nine month period ended	
	SAR '000	
	30 September 2021	30 September 2020
	(Unaudited)	(Unaudited)
Net (loss) / income for the period	(11,753)	30,839
Weighted average number of ordinary shares	74,354	74,354
(Loss) / Earnings per share	(0.16)	0.41
	Restated	

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

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 27,974 thousand (31 December 2020: SAR 26,626 thousand). This commission cannot be withdrawn without the consent of Saudi Central Bank ("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 30 September 2021, the Company's banker has issued letters of guarantee of SR 82,258 thousand (31 December 2020: SR 78,844 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 2021 (31 December 2020: 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

As at September 30, 2021 (Unaudited)

22 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	98,779	77,660	170,218	346,657	-	346,657
Reinsurers' share of outstanding claims	41,190	1,631	560,569	603,390	-	603,390
Reinsurers' share of claims Incurred but not reported	64,074	46,455	98,609	209,138	-	209,138
Deferred policy acquisition costs	29,011	12,477	12,427	53,915	-	53,915
Unallocated assets	-	-	-	1,276,084	1,356,754	2,632,838
Total assets	233,054	138,223	841,823	2,489,184	1,356,754	3,845,938
Liabilities						
Gross unearned premiums	536,670	192,066	215,953	944,689	-	944,689
Unearned reinsurance commission	7,033	20,889	16,952	44,874	-	44,874
Gross outstanding claims	174,152	3,894	613,331	791,377	-	791,377
Claims incurred but not reported	292,164	105,683	113,568	511,415	-	511,415
Premium deficiency reserves	37,426	12,906	3,109	53,441	-	53,441
Other technical reserves	11,571	6,094	7,684	25,349	-	25,349
Unallocated liabilities and insurance operations' surplus	-	-	-	682,016	47,060	729,076
Total liabilities and insurance operations' surplus	1,059,016	341,532	970,597	3,053,161	47,060	3,100,221

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

As at December 31, 2020 (Audited)

22 Operating segments (Continued)

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	4,119	78,963	137,219	220,301	-	220,301
Reinsurers' share of outstanding claims	75,091	3,145	395,786	474,022	-	474,022
Reinsurers' share of claims Incurred but not reported	87,538	54,576	119,868	261,982	-	261,982
Deferred policy acquisition costs	40,520	11,618	8,018	60,156	-	60,156
Unallocated assets	-	-	-	1,497,577	1,334,431	2,832,008
Total assets	207,268	148,302	660,891	2,514,038	1,334,431	3,848,469
Liabilities						
Gross unearned premiums	693,281	168,125	161,635	1,023,041	-	1,023,041
Unearned reinsurance commission	-	20,137	12,777	32,914	-	32,914
Gross outstanding claims	248,696	2,085	434,731	685,512	-	685,512
Claims incurred but not reported	354,036	128,124	132,041	614,201	-	614,201
Premium deficiency reserves	19,924	9,514	2,018	31,456	-	31,456
Other technical reserves	14,596	7,342	5,356	27,294	-	27,294
Unallocated liabilities and insurance operations' surplus	-	-	-	632,511	41,843	674,354
Total liabilities and insurance operations' surplus	1,330,533	335,327	748,558	3,046,929	41,843	3,088,772

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

For the three month period ended September 30, 2021 (Unaudited)

22 Operating segments (Continued)

	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	213,978	69,761	94,491	378,230	-	378,230
-Reinsurance	-	-	-	-	-	-
	213,978	69,761	94,491	378,230	-	378,230
Re-insurance premiums ceded						
-Local	(16,347)	(6,986)	(8,311)	(31,644)	-	(31,644)
-Abroad	(234,376)	(20,891)	(50,606)	(305,873)	-	(305,873)
	(250,723)	(27,877)	(58,917)	(337,517)	-	(337,517)
Excess of loss premiums	(9,875)	(1,625)	(3,760)	(15,260)		(15,260)
Net premiums written	(46,620)	40,259	31,814	25,453	-	25,453
Changes in unearned premiums, net	250,982	15,354	(16,257)	250,079	-	250,079
Net premiums earned	204,362	55,613	15,557	275,532	-	275,532
Re-insurance commission income	28,544	10,543	8,522	47,609	-	47,609
<u>TOTAL REVENUES</u>	232,906	66,156	24,079	323,141	-	323,141
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(465,922)	(80,444)	(59,022)	(605,388)	-	(605,388)
Expenses incurred related to claims	(2,636)	(1,151)	(2,761)	(6,548)	-	(6,548)
Hospital discount	30,574	-	-	30,574	-	30,574
Reinsurers' share of claims paid	142,044	34,716	57,201	233,961	-	233,961
Net claims and other benefits paid	(295,940)	(46,879)	(4,582)	(347,401)	-	(347,401)
Changes in outstanding claims, net	88,793	(1,899)	(4,381)	82,513	-	82,513
Changes in incurred but not reported claims, net	21,585	1,232	(2,467)	20,350	-	20,350
Net claims and other benefits incurred	(185,562)	(47,546)	(11,430)	(244,538)	-	(244,538)
Premium deficiency reserve	(13,989)	1,198	(968)	(13,759)	-	(13,759)
Other technical reserves	583	127	139	849	-	849
Policy acquisition costs	(16,248)	(6,614)	(6,021)	(28,883)	-	(28,883)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(215,216)	(52,835)	(18,280)	(286,331)	-	(286,331)
NET UNDERWRITING INCOME	17,690	13,321	5,799	36,810	-	36,810
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Provision for doubtful debts				11,548	-	11,548
General and administrative expenses				(88,448)	(1,058)	(89,506)
Special commission income				445	5,176	5,621
Income from investment in associate				-	-	-
Dividend income				-	2,231	2,231
Realized gain on available for sale investment				-	8,354	8,354
Other income				1,562	-	1,562
Total Other Operating Expenses, net				(74,893)	14,703	(60,190)
<u>Net (loss) / income for the period before appropriation and before zakat and income tax</u>				(38,083)	14,703	(23,380)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

For the three month period ended September 30, 2020 (Unaudited)

22 Operating segments (Continued)

Operating segments (Continued)	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	311,208	53,770	57,159	422,137	-	422,137
-Reinsurance	-	-	-	-	-	-
	311,208	53,770	57,159	422,137	-	422,137
Re-insurance premiums ceded						
-Local	-	-	(676)	(676)	-	(676)
-Abroad	(1,812)	(24,650)	(45,086)	(71,548)	-	(71,548)
	(1,812)	(24,650)	(45,762)	(72,224)	-	(72,224)
Excess of loss premiums	(9,496)	(987)	(3,319)	(13,802)	-	(13,802)
Net premiums written	299,900	28,133	8,078	336,111	-	336,111
Changes in unearned premiums, net	(26,861)	28,851	1,655	3,645	-	3,645
Net premiums earned	273,039	56,984	9,733	339,756	-	339,756
Re-insurance commission income	26,386	12,609	5,961	44,956	-	44,956
<u>TOTAL REVENUES</u>	299,425	69,593	15,694	384,712	-	384,712
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(406,009)	(79,298)	(48,097)	(533,404)	-	(533,404)
Expenses incurred related to claims	(3,340)	(5,577)	(1,451)	(10,368)	-	(10,368)
Hospital discount	16,373	-	-	16,373	-	16,373
Re-insurers' share of claims paid	90,115	36,536	42,745	169,396	-	169,396
Net claims and other benefits paid	(302,861)	(48,339)	(6,803)	(358,003)	-	(358,003)
Changes in outstanding claims, net	58,810	182	(1,328)	57,664	-	57,664
Changes in incurred but not reported claims, net	31,937	2,238	1,440	35,615	-	35,615
Net claims and other benefits incurred	(212,114)	(45,919)	(6,691)	(264,724)	-	(264,724)
Premium deficiency reserve	12,781	(3,531)	1,329	10,579	-	10,579
Other technical reserves	281	(27)	(47)	207	-	207
Policy acquisition costs	(14,250)	(5,357)	(3,999)	(23,606)	-	(23,606)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(213,302)	(54,834)	(9,408)	(277,544)	-	(277,544)
NET UNDERWRITING INCOME	86,123	14,759	6,286	107,168	-	107,168
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Provision for doubtful debts				(13,500)	-	(13,500)
General and administrative expenses				(96,526)	(1,274)	(97,800)
Special commission income				1,049	2,773	3,822
Income from investment in associate				-	-	-
Dividend income				-	1,700	1,700
Realized gain on available for sale investment				-	4,769	4,769
Other income				1,434	-	1,434
<u>Total Other Operating Expenses, net</u>				(107,543)	7,968	(99,575)
<u>Net income for the period before appropriation and before zakat and income tax</u>				(375)	7,968	7,593

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

For the nine month period ended September 30, 2021 (Unaudited)

22 Operating segments (Continued)

Operating segments (Continued)	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	1,097,821	313,291	288,778	1,699,890	-	1,699,890
-Reinsurance	-	-	-	-	-	-
	1,097,821	313,291	288,778	1,699,890	-	1,699,890
Re-insurance premiums ceded						
-Local	(92,162)	(33,284)	(21,178)	(146,624)	-	(146,624)
-Abroad	(234,376)	(91,553)	(199,237)	(525,166)	-	(525,166)
	(326,538)	(124,837)	(220,415)	(671,790)	-	(671,790)
Excess of loss premiums	(29,625)	(4,876)	(11,278)	(45,779)		(45,779)
Net premiums written	741,658	183,578	57,085	982,321	-	982,321
Changes in unearned premiums, net	251,271	(25,244)	(21,319)	204,708	-	204,708
Net premiums earned	992,929	158,334	35,766	1,187,029	-	1,187,029
Re-insurance commission income	28,544	31,353	22,652	82,549	-	82,549
<u>TOTAL REVENUES</u>	1,021,473	189,687	58,418	1,269,578	-	1,269,578
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(1,259,895)	(259,800)	(92,799)	(1,612,494)	-	(1,612,494)
Expenses incurred related to claims	(7,542)	(4,883)	(4,138)	(16,563)	-	(16,563)
Hospital discount	71,936	-	-	71,936	-	71,936
Reinsurers' share of claims paid	287,166	115,015	88,689	490,870	-	490,870
Net claims and other benefits paid	(908,335)	(149,668)	(8,248)	(1,066,251)	-	(1,066,251)
Changes in outstanding claims, net	40,642	(3,322)	(13,817)	23,503	-	23,503
Changes in incurred but not reported claims, net	38,408	14,320	(2,786)	49,942	-	49,942
Net claims and other benefits incurred	(829,285)	(138,670)	(24,851)	(992,806)	-	(992,806)
Premium deficiency reserve	(17,502)	(3,393)	(1,091)	(21,986)	-	(21,986)
Other technical reserves	3,025	1,248	(2,328)	1,945	-	1,945
Policy acquisition costs	(39,775)	(18,662)	(14,597)	(73,034)	-	(73,034)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(883,537)	(159,477)	(42,867)	(1,085,881)	-	(1,085,881)
NET UNDERWRITING INCOME	137,936	30,210	15,551	183,697	-	183,697
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Provision for doubtful debts				22,858	-	22,858
General and administrative expenses				(243,556)	(3,357)	(246,913)
Special commission income				1,177	10,927	12,104
Income from investment in associate				-	1,378	1,378
Dividend income				-	5,953	5,953
Realized gain on available for sale investment				-	13,298	13,298
Other income				2,622	-	2,622
Total Other Operating Expenses, net				(216,899)	28,199	(188,700)
<u>Net (loss) / income for the period before appropriation and before zakat and income tax</u>				(33,202)	28,199	(5,003)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

For the nine month period ended September 30, 2020 (Unaudited)

22 Operating segments (Continued)

Operating segments (Continued)	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders’ Operations	Total
	SAR’000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	1,351,319	341,719	241,012	1,934,050	-	1,934,050
-Reinsurance	-	-	-	-	-	-
	1,351,319	341,719	241,012	1,934,050	-	1,934,050
Re-insurance premiums ceded						
-Local	-	-	(1,291)	(1,291)	-	(1,291)
-Abroad	(451,614)	(162,329)	(197,002)	(810,945)	-	(810,945)
	(451,614)	(162,329)	(198,293)	(812,236)	-	(812,236)
Excess of loss premiums	(28,784)	(2,961)	(10,310)	(42,055)	-	(42,055)
Net premiums written	870,921	176,429	32,409	1,079,759	-	1,079,759
Changes in unearned premiums, net	64,004	(9,930)	(5,038)	49,036	-	49,036
Net premiums earned	934,925	166,499	27,371	1,128,795	-	1,128,795
Re-insurance commission income	76,832	37,584	19,395	133,811	-	133,811
<u>TOTAL REVENUES</u>	1,011,757	204,083	46,766	1,262,606	-	1,262,606
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(1,108,736)	(187,155)	(86,624)	(1,382,515)	-	(1,382,515)
Expenses incurred related to claims	(7,198)	(14,414)	(2,397)	(24,009)	-	(24,009)
Hospital discount	56,173	-	-	56,173	-	56,173
Re-insurers’ share of claims paid	206,900	84,976	80,424	372,300	-	372,300
Net claims and other benefits paid	(852,861)	(116,593)	(8,597)	(978,051)	-	(978,051)
Changes in outstanding claims, net	122,754	(145,166)	(5,538)	(27,950)	-	(27,950)
Changes in incurred but not reported claims, net	29,572	142,278	(2,682)	169,168	-	169,168
Net claims and other benefits incurred	(700,535)	(119,481)	(16,817)	(836,833)	-	(836,833)
Premium deficiency reserve	(7,415)	(11,481)	2,413	(16,483)	-	(16,483)
Other technical reserves	257	1,764	(511)	1,510	-	1,510
Policy acquisition costs	(49,766)	(15,008)	(15,020)	(79,794)	-	(79,794)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(757,459)	(144,206)	(29,935)	(931,600)	-	(931,600)
NET UNDERWRITING INCOME	254,298	59,877	16,831	331,006	-	331,006
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Provision for doubtful debts				(38,115)	-	(38,115)
General and administrative expenses				(277,318)	(4,070)	(281,388)
Special commission income				4,790	7,959	12,749
Income from investment in associate				-	2,211	2,211
Dividend income				-	4,110	4,110
Realized gain on available for sale investment				-	5,386	5,386
Other income				9,949	-	9,949
<u>Total Other Operating Expenses, net</u>				(300,694)	15,596	(285,098)
<u>Net income for the period before appropriation and before zakat and income tax</u>				30,312	15,596	45,908

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

For the three month period ended September 30, 2021 (Unaudited)

22 Operating segments (Continued)

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	104,790	4,368	82,169	191,327
Medium enterprise	48,344	1,870	8,403	58,617
Small enterprise	42,066	664	2,544	45,274
Micro enterprise	18,743	1,086	1,264	21,093
Individual	35	61,773	111	61,919
TOTAL GROSS PREMIUMS WRITTEN	213,978	69,761	94,491	378,230

For the three month period ended September 30, 2020 (Unaudited)

Operating segments

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	119,102	1,833	45,304	166,239
Medium enterprise	79,855	2,347	6,549	88,751
Small enterprise	61,163	2,337	3,902	67,402
Micro enterprise	32,352	1,457	932	34,741
Individual	18,736	45,796	472	65,004
TOTAL GROSS PREMIUMS WRITTEN	311,208	53,770	57,159	422,137

For the nine month period ended September 30, 2021 (Unaudited)

Operating segments

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	828,513	75,680	241,712	1,145,905
Medium enterprise	97,820	10,287	31,290	139,397
Small enterprise	115,324	37,399	9,733	162,456
Micro enterprise	56,084	3,159	4,403	63,646
Individual	80	186,766	1,640	188,486
TOTAL GROSS PREMIUMS WRITTEN	1,097,821	313,291	288,778	1,699,890

For the nine month period ended September 30, 2020 (Unaudited)

Operating segments

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	829,537	171,124	195,156	1,195,817
Medium enterprise	225,912	28,345	26,781	281,038
Small enterprise	160,881	9,234	12,939	183,054
Micro enterprise	100,123	3,851	4,200	108,174
Individual	34,866	129,165	1,936	165,967
TOTAL GROSS PREMIUMS WRITTEN	1,351,319	341,719	241,012	1,934,050

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

23 SUPPLEMENTARY INFORMATION

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	September 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	290,903	44,311	335,214	351,433	66,076	417,509
Short term deposits	50,000	-	50,000	-	18,477	18,477
Premium and reinsurers' receivable, net	709,051	-	709,051	866,983	-	866,983
Reinsurers' share of unearned premiums	346,657	-	346,657	220,301	-	220,301
Reinsurers' share of outstanding claims	603,390	-	603,390	474,022	-	474,022
Reinsurers' share of claims incurred but not reported	209,138	-	209,138	261,982	-	261,982
Deferred policy acquisition costs	53,915	-	53,915	60,156	-	60,156
Due from related parties, net	1,994	-	1,994	1,994	-	1,994
Due from / to shareholders' / insurance operation	559,188	(559,188)	-	527,888	(527,888)	-
Prepayment and other assets, net	158,825	6,843	165,668	226,738	3,104	229,842
Available for sale investments	30,716	636,514	667,230	10,502	580,414	590,916
Right of use assets, net	9,766	-	9,766	16,285	-	16,285
Property and equipment, net	15,475	30,000	45,475	16,548	30,000	46,548
Intangible assets, net	9,354	-	9,354	7,094	-	7,094
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	11,112	11,112	-	9,734	9,734
Accrued commission on statutory deposit	-	27,974	27,974	-	26,626	26,626
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	3,048,372	797,566	3,845,938	3,041,926	806,543	3,848,469

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

SAR '000

	September 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>LIABILITIES</u>						
Accrued expenses and other liabilities	213,190	873	214,063	191,120	1,012	192,132
Accounts and commission payable	130,372	-	130,372	144,715	-	144,715
Lease liability	8,926	-	8,926	16,596	-	16,596
Reinsurers' balances payable	224,438	-	224,438	165,531	-	165,531
Gross unearned premiums	944,689	-	944,689	1,023,041	-	1,023,041
Unearned reinsurance commission	44,874	-	44,874	32,914	-	32,914
Gross outstanding claims	791,377	-	791,377	685,512	-	685,512
Claims incurred but not reported	511,415	-	511,415	614,201	-	614,201
Premium deficiency reserve	53,441	-	53,441	31,456	-	31,456
Other technical reserves	25,349	-	25,349	27,294	-	27,294
Due to a related party	826	-	826	751	-	751
End of service indemnities	20,395	-	20,395	24,405	-	24,405
Surplus distribution payable	83,869	-	83,869	89,393	-	89,393
Zakat & income tax	-	16,025	16,025	-	12,767	12,767
Deferred tax liability	-	2,188	2,188	-	1,438	1,438
Accrued commission income payable to SAMA	-	27,974	27,974	-	26,626	26,626
<u>TOTAL LIABILITIES</u>	3,053,161	47,060	3,100,221	3,046,929	41,843	3,088,772
<u>INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u>						
Fair values reserve gain on investments	716	-	716	502	-	502
Re-measurement of defined benefit liability – employees benefits	(5,505)	-	(5,505)	(5,505)	-	(5,505)
<u>TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u>	(4,789)	-	(4,789)	(5,003)	-	(5,003)
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	700,000	700,000	-	800,000	800,000
Statutory reserve	-	26,135	26,135	-	26,135	26,135
Accumulated losses	-	(11,322)	(11,322)	-	(99,569)	(99,569)
Fair values reserve gain on investments	-	35,693	35,693	-	38,134	38,134
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	750,506	750,506	-	764,700	764,700
<u>TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY</u>	3,048,372	797,566	3,845,938	3,041,926	806,543	3,848,469

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the three month period ended September 30					
	September 30, 2021 (Unaudited)			September 30, 2020 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
-Direct	378,230	-	378,230	422,137	-	422,137
-Reinsurance	-	-	-	-	-	-
	378,230	-	378,230	422,137	-	422,137
Reinsurance premiums ceded						
-Local	(31,644)	-	(31,644)	(676)	-	(676)
-Abroad	(305,873)	-	(305,873)	(71,548)	-	(71,548)
	(337,517)	-	(337,517)	(72,224)	-	(72,224)
Excess of loss expenses – foreign	(15,260)	-	(15,260)	(13,802)	-	(13,802)
Net written premiums	25,453	-	25,453	336,111	-	336,111
Changes in unearned premiums, net	250,079	-	250,079	3,645	-	3,645
Net premiums earned	275,532	-	275,532	339,756	-	339,756
Re-insurance commissions	47,609	-	47,609	44,956	-	44,956
TOTAL REVENUES	323,141	-	323,141	384,712	-	384,712
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(605,388)	-	(605,388)	(533,404)	-	(533,404)
Expenses incurred related to claims	(6,548)	-	(6,548)	(10,368)	-	(10,368)
Hospital discount	30,574	-	30,574	16,373	-	16,373
Reinsurers' share of claims paid	233,961	-	233,961	169,396	-	169,396
Net claims and other benefits paid	(347,401)	-	(347,401)	(358,003)	-	(358,003)
Changes in outstanding claims, net	82,513	-	82,513	57,664	-	57,664
Changes in incurred but not reported claims, net	20,350	-	20,350	35,615	-	35,615
Net claims and other benefits incurred	(244,538)	-	(244,538)	(264,724)	-	(264,724)
Additional premium deficiency reserve	(13,759)	-	(13,759)	10,579	-	10,579
Other technical reserves	849	-	849	207	-	207
Policy acquisition costs	(28,883)	-	(28,883)	(23,606)	-	(23,606)
TOTAL UNDERWRITING COSTS AND EXPENSES	(286,331)	-	(286,331)	(277,544)	-	(277,544)
NET UNDERWRITING INCOME	36,810	-	36,810	107,168	-	107,168
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
(Allowance for) / reversal of doubtful debts	11,548	-	11,548	(13,500)	-	(13,500)
General and administrative expenses	(88,448)	(1,058)	(89,506)	(96,526)	(1,274)	(97,800)
Special commission income	445	5,176	5,621	1,049	2,773	3,822
Income from investment in associate	-	-	-	-	-	-
Dividend income	-	2,231	2,231	-	1,700	1,700
Realized gain on available for sale investment	-	8,354	8,354	-	4,769	4,769
Other income	1,562	-	1,562	1,434	-	1,434
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(74,893)	14,703	(60,190)	(107,543)	7,968	(99,575)
<u>NET (LOSS) / INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	(38,083)	14,703	(23,380)	(375)	7,968	7,593
Shareholders' appropriation from deficit / surplus	38,083	(38,083)	-	375	(375)	-
<u>NET (LOSS) / INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	-	(23,380)	(23,380)	-	7,593	7,593
Zakat and income tax						
Current zakat and income tax	-	(2,000)	(2,000)	-	(3,522)	(3,522)
Deferred tax	-	(250)	(250)	-	(490)	(490)
Net (loss) / income for the period	-	(25,630)	(25,630)	-	3,581	3,581

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the nine month period ended September 30					
	September 30, 2021 (Unaudited)			September 30, 2020 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
-Direct	1,699,890	-	1,699,890	1,934,050	-	1,934,050
-Reinsurance	-	-	-	-	-	-
	1,699,890	-	1,699,890	1,934,050	-	1,934,050
Reinsurance premiums ceded						
-Local	(146,624)	-	(146,624)	(1,291)	-	(1,291)
-Abroad	(525,166)	-	(525,166)	(810,945)	-	(810,945)
	(671,790)	-	(671,790)	(812,236)	-	(812,236)
Excess of loss expenses – foreign	(45,779)	-	(45,779)	(42,055)	-	(42,055)
Net written premiums	982,321	-	982,321	1,079,759	-	1,079,759
Changes in unearned premiums, net	204,708	-	204,708	49,036	-	49,036
Net premiums earned	1,187,029	-	1,187,029	1,128,795	-	1,128,795
Re-insurance commissions	82,549	-	82,549	133,811	-	133,811
<u>TOTAL REVENUES</u>	1,269,578	-	1,269,578	1,262,606	-	1,262,606
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(1,612,494)	-	(1,612,494)	(1,382,515)	-	(1,382,515)
Expenses incurred related to claims	(16,563)	-	(16,563)	(24,009)	-	(24,009)
Hospital discount	71,936	-	71,936	56,173	-	56,173
Reinsurers' share of claims paid	490,870	-	490,870	372,300	-	372,300
Net claims and other benefits paid	(1,066,251)	-	(1,066,251)	(978,051)	-	(978,051)
Changes in outstanding claims, net	23,503	-	23,503	(27,950)	-	(27,950)
Changes in incurred but not reported claims, net	49,942	-	49,942	169,168	-	169,168
Net claims and other benefits incurred	(992,806)	-	(992,806)	(836,833)	-	(836,833)
Additional premium deficiency reserve	(21,986)	-	(21,986)	(16,483)	-	(16,483)
Other technical reserves	1,945	-	1,945	1,510	-	1,510
Policy acquisition costs	(73,034)	-	(73,034)	(79,794)	-	(79,794)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(1,085,881)	-	(1,085,881)	(931,600)	-	(931,600)
NET UNDERWRITING INCOME	183,697	-	183,697	331,006	-	331,006
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
(Allowance for) / reversal of doubtful debts	22,858	-	22,858	(38,115)	-	(38,115)
General and administrative expenses	(243,556)	(3,357)	(246,913)	(277,318)	(4,070)	(281,388)
Special commission income	1,177	10,927	12,104	4,790	7,959	12,749
Income from investment in associate	-	1,378	1,378	-	2,211	2,211
Dividend income	-	5,953	5,953	-	4,110	4,110
Realized gain on available for sale investment	-	13,298	13,298	-	5,386	5,386
Other income	2,622	-	2,622	9,949	-	9,949
<u>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</u>	(216,899)	28,199	(188,700)	(300,694)	15,596	(285,098)
<u>NET (LOSS) / INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	(33,202)	28,199	(5,003)	30,312	15,596	45,908
Shareholders' appropriation from surplus	33,202	(33,202)	-	(27,281)	27,281	-
<u>NET (LOSS) / INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	-	(5,003)	(5,003)	3,031	42,877	45,908
Zakat and income tax						
Current zakat and income tax	-	(6,000)	(6,000)	-	(10,568)	(10,568)
Deferred tax	-	(750)	(750)	-	(1,470)	(1,470)
Net (loss) / income for the period	-	(11,753)	(11,753)	3,031	30,839	33,870

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	For the three month period ended September 30 (Unaudited)					
	SAR '000					
	2021			2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) / income for the period	-	(25,630)	(25,630)	-	3,581	3,581
Other comprehensive (loss) / income						
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	71	(5,781)	(5,710)	71	24,626	24,697
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME</u>	71	(31,411)	(31,340)	71	28,207	28,278
<u>Reconciliation:</u>						
<u>Less:</u> Net income attributable to insurance operations and transferred to surplus distribution payable.			-			-
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>			<u>(31,340)</u>			<u>28,278</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	For the nine month period ended September 30 (Unaudited)					
	SAR '000					
	2021			2020		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss) / income for the period	-	(11,753)	(11,753)	3,031	30,839	33,870
Other comprehensive (loss) / income						
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	214	(2,441)	(2,227)	252	18,890	19,142
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME</u>	214	(14,194)	(13,980)	3,283	49,729	53,012
<u>Reconciliation:</u>						
<u>Less: Net income attributable to insurance operations and transferred to surplus distribution payable.</u>			-			(3,031)
<u>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</u>			<u>(13,980)</u>			<u>49,981</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR '000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	For the nine month period ended September 30, 2021	For the nine month period ended September 30, 2020		For the nine month period ended September 30, 2021	For the nine month period ended September 30, 2020	
	Unaudited	Unaudited		Unaudited	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat and income tax	-	(5,003)	(5,003)	3,031	42,877	45,908
Adjustments for non-cash items:						
Depreciation and amortization	6,899	-	6,899	7,168	-	7,168
Allowance for / (Reversal of) doubtful debts	(22,858)	-	(22,858)	38,115	-	38,115
Income from investment in associate	-	(1,378)	(1,378)	-	(2,211)	(2,211)
Realized gain on available for sale investment	-	(13,298)	(13,298)	-	(5,386)	(5,386)
Provision for end of service indemnities	(167)	-	(167)	5,551	-	5,551
	(16,126)	(19,679)	(35,805)	53,865	35,280	89,145
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	180,790	-	180,790	(128,733)	-	(128,733)
Reinsurers' share of unearned premiums	(126,356)	-	(126,356)	(78,234)	-	(78,234)
Reinsurers' share of outstanding claims	(129,368)	-	(129,368)	(81,540)	-	(81,540)
Reinsurers' share of claims Incurred but not reported	52,844	-	52,844	(29,524)	-	(29,524)
Deferred policy acquisition costs	6,241	-	6,241	(3,441)	-	(3,441)
Prepayment and other assets	67,913	(3,739)	64,174	134,583	419	135,002
Deposit against letter of guarantee	(3,414)	-	(3,414)	4,262	-	4,262
Right of use assets	6,519	-	6,519	7,027	-	7,027
Accounts and commission payable	(14,343)	-	(14,343)	(17,845)	-	(17,845)
Accrued expenses and other liabilities	22,068	(139)	21,929	66,299	(141)	66,158
Lease liability	(7,670)	-	(7,670)	(7,598)	-	(7,598)
Reinsurers' balances payable	58,907	-	58,907	156,337	-	156,337
Gross unearned premiums	(78,352)	-	(78,352)	29,198	-	29,198
Unearned reinsurance commission	11,960	-	11,960	32,462	-	32,462
Gross outstanding claims	105,865	-	105,865	109,490	-	109,490
Claims incurred but not reported	(102,786)	-	(102,786)	(139,645)	-	(139,645)
Premium deficiency reserves	21,986	-	21,986	16,483	-	16,483
Other technical reserves	(1,945)	-	(1,945)	(1,510)	-	(1,510)
Due from related party	-	-	-	(1,931)	-	(1,931)
Due to related party	75	-	75	(16,758)	-	(16,758)
	54,808	(23,557)	31,251	103,247	35,558	138,805
Surplus paid to policyholders	(5,524)	-	(5,524)	(21,139)	-	(21,139)
Payment of employees end of service indemnities	(3,842)	-	(3,842)	(14,171)	-	(14,171)
Zakat and income tax paid	-	(2,742)	(2,742)	-	(5,011)	(5,011)
Net cash generated from / (used in) operating activities	45,442	(26,299)	19,143	67,937	30,547	98,484
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividend from investment in an associate	-	-	-	-	3,601	3,601
Interest on statutory deposit	-	1,348	1,348	-	2,677	2,677
Interest payable on statutory deposit	-	(1,348)	(1,348)	-	(2,677)	(2,677)
Purchase of available for sale investments	(77,500)	(164,765)	(242,265)	-	(138,345)	(138,345)
Proceeds from disposal of available for sale investments	57,500	119,522	177,022	-	41,171	41,171
(Placements in) / proceeds from short term deposits	(50,000)	18,477	(31,523)	(28,165)	156,572	128,407
Additions in property, equipment and intangible	(8,086)	-	(8,086)	(9,219)	-	(9,219)
Net cash (used in) / generated from investing activities	(78,086)	(26,766)	(104,852)	(37,384)	62,999	25,615
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders operation	(31,300)	31,300	-	40,125	(40,125)	-
Net cash (used in) / generated from financing activities	(31,300)	31,300	-	40,125	(40,125)	-
Net change in cash and cash equivalents	(63,944)	(21,765)	(85,709)	70,678	53,421	124,099
Cash and cash equivalents, beginning of the period	272,589	66,076	338,665	177,359	33,537	210,896
Cash and cash equivalents, end of the period	208,645	44,311	252,956	248,037	86,958	334,995

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

24 COMPARATIVE FIGURES

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

25 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company on 28 Rabi ul Awal 1443H, corresponding to 3 November 2021G.