

**THE MEDITERRANEAN & GULF COOPERATIVE
INSURANCE AND REINSURANCE COMPANY**

(A SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023**

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To The Shareholders of
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)
Riyadh
Kingdom of Saudi Arabia

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 March 31, 2023, the related interim condensed statements of income and comprehensive income for the three month period then ended, and the interim condensed statements of changes in equity and cash flows for the three month period then ended, and the related notes which form integral part of these interim condensed financial statements. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements 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 statements of **The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the accompanying interim condensed financial statements which indicates that as of March 31, 2023, the accumulated losses represent 40.23% (December 31, 2022: 43.68%) of the Company's share capital and the solvency margin of the Company reached 42.8% (December 31, 2022: 14%). These events and conditions indicate a material uncertainty on the Company's ability to continue as a going concern. However, the accompanying interim condensed financial statements are prepared using the going-concern assumption based on the management assessment that the Company will be able to continue the business and meet its obligations as and when they fall due. Hence, the financial statements have been prepared on a going concern basis accordingly. Our opinion is not modified with respect to this matter.



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting
Member Crowe Global



AlKharashi & Co.
Certified Accountants And Auditors

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM CONDENSED FINANCIAL STATEMENTS – (CONTINUED)**

Report on Other Legal and Regulatory Requirements

As at March 31, 2023, the solvency margin reached to approximately 42.8% (December 31, 2022: 14%) which is a non-compliance of Article 68 of Implementation Regulations for Insurance Companies to maintain it to required margin. In compliance with the Implementation Regulations for Insurance Companies, the Company has taken certain remedial measures on immediate basis that include significant underwriting and pricing measures, improved recoveries from major policy holders and other cost saving measures (refer note 2).

**Al Azem & Al Sudairy, Al Shaikh & Partners
For Professional Consulting**

P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Abdullah M. Al Azem
Certified Public Accountant
License No. 335

**AlKharashi & Co. Certified
Accountants and Auditors**

P. O. Box 8306
Riyadh 11482
Kingdom of Saudi Arabia

Abdullah S. Al Msned
Certified Public Accountant
License No. 456



05 July 2023G
17 Dhul Hijjah 1444H



THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

		SAR '000	
	Notes	March 31, 2023 (Unaudited)	December 31, 2022 (Unaudited) (Restated)*
ASSETS			
Cash and cash equivalents*	6	373,090	430,931
Short term deposits	7	275,054	231,240
Insurance Contract Assets	5	27,161	23,677
Reinsurance Contract Assets	5	871,080	701,738
Prepayment and other assets, net		167,845	107,425
Investments carried at amortized cost	9	508,600	497,952
Investments carried at Fair Value through OCI	9	75,759	94,527
Investments carried at Fair Value through P&L	9	300,531	202,015
Right of use assets, net		2,988	3,624
Property and equipment, net		46,976	47,579
Intangible assets, net		21,809	24,380
Statutory deposit	10	157,500	157,500
Investment in an associate	8	11,457	12,147
Accrued commission on statutory deposit	12	33,167	31,648
Goodwill	11	480,000	480,000
TOTAL ASSETS		3,353,017	3,046,383

*Comparative information has been restated (refer note 4).

The accompanying notes 1 to 21 form an integral part of these financial statements.


Mr. Rakan Abdullah Abunayyan
Chairman of the Board of Directors


Mr. Umar Abdulrahman AlMahmoud
Acting Chief Executive Officer


Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

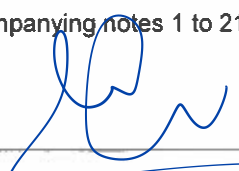
		SAR '000	
	Notes	March 31, 2023 (Unaudited)	December 31, 2022 (Unaudited) (Restated)*
<u>LIABILITIES</u>			
Accrued expenses and other liabilities		40,715	22,305
Insurance contract liabilities	5	2,335,751	2,228,263
Reinsurance contract liabilities	5	188,751	46,001
Accounts payable		192	338
Lease liability		3,051	3,633
Zakat & income tax	13	5,289	4,289
Deferred tax liability	13	3,188	3,188
Accrued commission income payable to SAMA	12	33,167	31,648
TOTAL LIABILITIES		2,610,104	2,339,665
<u>EQUITY</u>			
Share capital	17	1,050,000	1,050,000
Share premium		70,000	70,000
Statutory reserve		26,135	26,135
Accumulated losses		(422,406)	(458,601)
Re-measurement of defined benefit liability – employees benefits		(18,596)	(18,596)
Fair values reserve on investments		37,780	37,780
TOTAL EQUITY		742,913	706,718
TOTAL LIABILITIES AND EQUITY		3,353,017	3,046,383

COMMITMENTS AND CONTINGENCIES

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*Comparative information has been restated (refer note 4).

The accompanying notes 1 to 21 form an integral part of these financial statements.


 Mr. Rakan Abdullah Abunayyan
 Chairman of the Board of Directors


 Mr. Umar Abdulrahman AlMahmoud
 Acting Chief Executive Officer


 Mr. Georgi Markov
 Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

		SAR '000	
		For the three month period ended	
		March 31, 2023	March 31, 2022
		(Unaudited)	(Unaudited)
			(Restated)*
Notes			
Insurance revenue	15	779,299	668,463
Insurance service expense	15	(835,098)	(780,144)
Insurance service result before reinsurance contracts held		(55,799)	(111,681)
Net income from reinsurance contract held	15	44,005	31,991
Insurance service result		(11,794)	(79,690)
Interest revenue from financial assets not measured at FVTPL		12,344	4,461
Unrealised gain on Investments at FVTPL	9 (c)	21,517	16,277
Dividend income		1,612	3,363
Impairment reversal / (loss) on financial assets		2,242	(3,568)
Net Investment income		37,715	20,533
Insurance finance (expense) / income for insurance contracts issued	16	(10,112)	49,280
Reinsurance finance income / (expense) for reinsurance contracts held	16	6,237	(6,238)
Net Insurance finance (expense) / income		(3,875)	43,042
Net insurance and investment result		22,046	(16,115)
Other income		15,856	1,183
Share of (loss) / income form associate	8	(690)	-
Other operating expenses		(17)	(1,023)
Total other operating income		15,149	160
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX		37,195	(15,955)
Zakat charge	13	(1,000)	(1,000)
Income tax charge	13	-	(250)
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX		36,195	(17,205)
Earnings / (Loss) per share (expressed in SAR per share)	17	0.34	(0.16)

*Comparative information has been restated (refer note 4).

The accompanying notes 1 to 21 form an integral part of these financial statements.

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Chairman of the Board of Directors

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Acting Chief Executive Officer

Mr. Georgi Markov
Chief Financial Officer

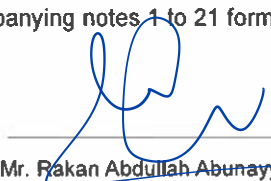
THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

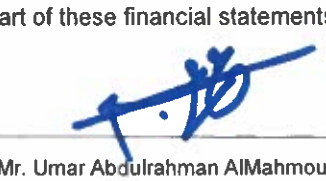
	SAR '000	
	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited) (Restated)*
Notes		
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	36,195	(17,205)
Other comprehensive income / (loss)		
Items that will not be reclassified to interim condensed statement of income in subsequent periods		
Net changes in fair value of investments measured at FVOCI – equity instruments	-	-
Total other comprehensive income / (loss)	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	36,195	(17,205)

*Comparative information has been restated (refer note 4).

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The accompanying notes 1 to 21 form an integral part of these financial statements.


Mr. Rakan Abdullah Abunayyan
Chairman of the Board of Directors


Mr. Umar Abdulrahman AlMahmoud
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Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

For the three month period ended March 31, 2023	Notes	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
SAR '000								
Balance as at December 31, 2022 (Audited)		1,050,000	70,000	26,135	(462,817)	(19,662)	(18,596)	645,060
Transition adjustment on initial application of IFRS 17 & IFRS 9	4	-	-	-	4,216	57,442	-	61,658
Balance as at January 01, 2023 (Unaudited) (Restated) *		1,050,000	70,000	26,135	(458,601)	37,780	(18,596)	706,718
Total comprehensive income for the period								
-Net income for the period		-	-	-	36,195	-	-	36,195
Balance as at March 31, 2023 (Unaudited)		1,050,000	70,000	26,135	(422,406)	37,780	(18,596)	742,913


For the three month period ended March 31, 2022	Notes	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
SAR '000								
Balance as at December 31, 2021 (Audited)		1,050,000	70,000	26,135	(147,611)	25,682	(9,557)	1,014,649
Transition adjustment on initial application of IFRS 17 & IFRS 9	4	-	-	-	85,880	10,216	-	96,096
Balance as at January 01, 2022 (Unaudited) (Restated)		1,050,000	70,000	26,135	(61,731)	35,898	(9,557)	1,110,745
Total comprehensive loss for the period								
-Net loss for the period end		-	-	-	(17,205)	-	-	(17,205)
Balance as at March 31, 2022 (Unaudited)		1,050,000	70,000	26,135	(78,936)	35,898	(9,557)	1,093,540

*Comparative information has been restated (refer note 4).

The accompanying notes 1 to 24 form an integral part of these financial statements.



Mr. Rakan Abdullah Abunayyan
Chairman of the Board of Directors



Mr. Umar Abdulrahman AlMahmoud
Acting Chief Executive Officer



Mr. Georgi Markov
Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASHFLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

	Notes	SAR '000	
		March 31, 2023 (Unaudited)	March 31, 2022 (Restated) (Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) for the year before zakat and income tax		37,195	(15,955)
Adjustments for non-cash items:			
Depreciation and amortization		3,810	3,158
Share of loss from associate	8	690	-
Unrealised gain on Investments at FVTPL	9	(21,517)	(16,277)
Provision for end-of-service benefits		-	111
		20,178	(28,963)
Changes in operating assets and liabilities:			
Insurance Contract Assets		(3,484)	261,848
Reinsurance Contract Assets		(169,342)	(1,006)
Prepayment and other assets, net		(60,420)	(49,950)
Insurance contract liabilities		107,488	(80,329)
Reinsurance contract liabilities		142,750	1,433
Accrued expenses and other liabilities		18,410	90,205
Accounts payable		(146)	(14,802)
		55,434	178,436
End-of-service benefits paid		-	(568)
Net cash generated from operating activities		55,434	177,868
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investments carried at amortised cost	9 (b)	(10,648)	-
Additions to investments carried at FVTPL	9 (c)	(76,999)	(116,776)
Proceeds from disposal of investments carried at FVTOCI	9 (a)	18,768	-
Additions in property, equipment and intangible, net		-	(14,598)
Placements in form short term deposits, net	7	(43,814)	-
Net cash (used in) investing activities		(112,693)	(131,374)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease Liability		(582)	-
Net cash generated from financing activities		(582)	-
Net change in cash and cash equivalents		(57,841)	46,494
Cash and cash equivalents, beginning of the period	6	430,931	477,003
Cash and cash equivalents, end of the period		373,090	523,497
NON-CASH INFORMATION			
-Change in fair value of investments at FVOCI		-	789

*Comparative information has been restated (refer note 4).

The accompanying notes 1 to 21 form an integral part of these financial statements.

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Acting Chief Executive Officer

Mr. Georgi Markov
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 MONTH PERIOD ENDED MARCH 31, 2023

1 General

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

a) Basis of presentation and measurement

The financial statements have been prepared on a historical cost basis except for the measurement at fair value of investments at FVTPL and FVTOCI and investment in associates which is accounted for under equity method.

Statement of compliance

The interim condensed consolidated financial statements of the Company have 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 pronouncement issued by Saudi Organisation for Chartered and Professional Accountants ("SOCPA"). This is the first set of the Company's interim condensed consolidated financial statements in which IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant accounting policies are described in Note 3.

The financial statements are prepared under the going concern basis and the historical cost convention, , except for the measurement of investments at their fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI). The Company's statement of financial position is not presented using a current/non-current classification.

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.

b) Functional and Presentation Currency

The functional and presentational currency of the Company is Saudi Arabian Riyals. The financial statements are 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) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

2 BASIS OF PREPARATION (Continued)

Going concern

The Company's accumulated losses as of 31 March 2023 are 40.2% (31 December 2022: 43.67%) of its subscribed capital and as of the same date the Company's solvency coverage is below the prudential solvency requirements. The management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying projections under such scenarios, the 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 underwriting and pricing measures, improved recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

In March 2023, the Board of Directors of the Company has approved a Solvency Recovery plan which foresees the re-establishing of the statutory solvency coverage above 100% until the end of the year through a series of re-capitalization measures.

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.

The estimated solvency margin of the company as at 31 March 2023 is 42.8% (31 December 2022: 12.4%)

3 SIGNIFICANT ACCOUNTING POLICIES

a) Insurance, reinsurance and investment contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

The Company does not accept insurance risk from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

i. Separating components from insurance and reinsurance contracts

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components – i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or non-insurance services to policyholders and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

ii. Level of aggregation

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

iii. Recognition

The Company recognises a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of the group of contracts. The coverage period is the period during which the Company provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Company recognises a group of reinsurance contracts initiated that provide proportionate coverage at the later of the beginning of the coverage period of the group of reinsurance contracts and the initial recognition of any underlying contract, and recognises all other groups of reinsurance contracts from the beginning of the coverage period of the group of reinsurance contracts. The coverage period is the period during which the Company receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

The Company recognises a group of contracts acquired at the date of acquisition.

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

iv. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time.

v. Presentation

Groups of insurance contracts that are assets and those that are liabilities, and groups of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

The Company disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing coverage in the period. The Company allocates the expected premium receipts to each period on the following bases:

- certain property contracts: the expected timing of incurred insurance service expenses; and
- other contracts: the passage of time.

Net results from reinsurance contracts

Net results from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers.

The Company recognises reinsurance service results as it receives coverage or other services under groups of reinsurance contracts. For contracts not measured under the PAA, the reinsurance service expenses relating to services received for each reporting period represent the total of the changes in the remaining coverage component that relate to services for which the Company expects to pay consideration.

For contracts measured under the PAA, the reinsurance service expenses for each period are the amount of expected premium payments for receiving coverage in the period.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses (see (v)).

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

vi. Liability for Incurred Claims "LIC"

The Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. The Company presents the entire change in risk adjustment as part of insurance service results.

The Company establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported ("IBNR") and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Group has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. The Company will regularly monitor the time it takes in settling claims from the date they are incurred.

vii. Insurance acquisition costs and directly attributable expenses

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the groups of insurance contracts. The Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. The Company amortises the insurance acquisition costs over the contract period.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Insurance, reinsurance and investment contracts (continued)

viii. Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

ix. Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

x. Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

xii. Onerous contract

The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the interim condensed consolidated statement of income in insurance service expense. The loss component is then amortized to consolidated condensed interim statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

xlii. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. The Group has chosen a confidence level based on the 75th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Group applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost

Debt Instruments:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis on initial recognition.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

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3 SIGNIFICANT ACCOUNTING POLICTIES (Continued)

b) Financial assets and financial liabilities (continued)

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the application of those policies in practice.
- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Company's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in condensed interim statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in condensed interim statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to condensed interim statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the interim condensed interim statement of income and presented net within other gains/(losses) in the period in which it arises.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in condensed interim statement of income as investment income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the condensed interim statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value

Financial assets – Impairment

Overview of Expected Credit Loss ("ECL") principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at fair value:

- Financial assets that are debt instruments
- Deposits and bank balances
- Other receivables balances

No impairment loss is recognized on equity instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Group.

Staging of financial assets

The Company categorizes its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Financial assets – Impairment (continued)

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Company considers indicators that are:

- qualitative- e.g., breaches of covenant.
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial assets and financial liabilities (continued)

Financial assets – Impairment (continued)

Forward looking estimate

While estimating the ECL, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Group analyzes the relationship between key economic trends with the estimate of PD. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Financial liabilities

Classification and derecognition of financial liabilities

The Company classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate ("EIR"). A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of income. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

c) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

d) Employees' end of service indemnities

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains/ losses) as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income – insurance operations.

e) Dividend income

Dividend income is recognised when the right to receive dividend is established.

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3 SIGNIFICANT ACCOUNTING POLICTIES (Continued)

f) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and at banks and short-term time deposits with an original maturity of less than three months at the date of acquisition.

g) Goodwill

Goodwill represents the fair value of the consideration paid in excess of the fair value of net assets or liabilities acquired. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses, if any, relating to goodwill cannot be reversed in future periods.

h) Land, property and equipment

Land is stated at cost less any impairment and is not depreciated. Property and equipment are measured at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of insurance operations and accumulated surplus on a straight line basis at the following depreciation rates:

Class of Assets	Rates
Leasehold improvements	15% - 25%
Office equipment, furniture and fixtures	10% - 15%
Computers	25%
Motor vehicles	25%

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of these assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

i) Intangible assets

IT development and software is shown at historical cost. It has a finite useful life and are subsequent carried at cost less accumulated amortization and impairment losses. The Company amortises intangible assets with a limited useful life using straight-line method over the following periods:

	Years
IT development and software	15% - 25%

j) Investment in an associate

Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and / or over which it exercises significant influence. Investments in an associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

k) Statutory reserve

In accordance with its bylaws, the Company shall allocate 20% of its net income from shareholders' operations 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. In view of the accumulated losses, no such transfer has been made for the period ended 31 March 2023.

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3 SIGNIFICANT ACCOUNTING POLICTIES (Continued)

l) Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial statement is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles.
- Other classes, which covers any other classes of insurance not included above.

Shareholders' operations' is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from income or loss in the accompanying financial statements.

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

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

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4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES

This is the Company's first interim condensed financial statements prepared in accordance with the requirements of IFRS 17 and IFRS 9.

The accounting policies set out in note 3 have been applied in preparing the interim condensed financial statements for the period ended 31 March, 2023 and 31 March, 2022 and in the preparation of an opening IFRS 17 and IFRS 9 statement of financial position at 1 January, 2022 (the Company's date of transition) and 31 December 2022.

In preparing its opening IFRS 17 and IFRS 9 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39.

Reclassification impact on the interim condensed statement of financial position on adoption of IFRS 17

Presentation changes in the interim condensed statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, insurance operations' surplus payable, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, claims handling reserve are presented together by portfolio on a single line called insurance contract liabilities. The previously reported line items: reinsurers' share of unearned premiums, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, reinsurers' balances payable are presented together by portfolio on a single line called reinsurance contract assets or liabilities.

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately between:

- Portfolios of insurance contracts that are assets;
- Portfolios of reinsurance contracts that are assets;
- Portfolios of insurance contracts that are liabilities; and
- Portfolios of reinsurance contracts that are liabilities.

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4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (Continued)

4.1 Reconciliation of Interim condensed statement of financial position

	As at 31 Dec 2022 "under IFRS-4"	Adjustments	As at 31 Dec 2022 "under IFRS017"	As at 01 Jan 2022 "under IFRS-4"	Adjustments	As at 01 Jan 2022 "under IFRS-17"
ASSETS						
Cash and cash equivalents	430,931	-	430,931	597,682	-	597,682
Short term fixed income deposits	231,240	-	231,240	50,000	-	50,000
Premiums and reinsurances' receivable	644,748	(614,391)	30,357	838,577	(838,577)	-
Reinsurers' share of unearned premium	200,416	(200,416)	-	260,855	(260,855)	-
Reinsurers' share of outstanding claims	378,746	(378,746)	-	546,540	(546,540)	-
Reinsurers' share of reserves	123,270	(123,270)	-	179,028	(179,028)	-
Insurance Contract Assets	-	23,677	23,677	-	22,886	22,886
Reinsurance Contract Assets	-	701,738	701,738	-	1,004,023	1,004,023
Deferred policy acquisition costs	119,936	(119,936)	-	49,897	(49,897)	-
Investment in an associate	12,147	-	12,147	11,799	-	11,799
Investments	756,714	37,780	794,494	662,439	35,109	697,548
Due from related parties	4,384	-	4,384	1,994	-	1,994
Prepaid expenses and other assets	384,727	(312,043)	72,684	231,611	167,597	399,208
Property and equipment, net	47,579	-	47,579	46,464	-	46,464
Intangibles	24,380	-	24,380	12,108	-	12,108
Goodwill	480,000	-	480,000	480,000	-	480,000
Statutory deposit	157,500	-	157,500	120,000	-	120,000
Accrued income on statutory deposit	31,648	-	31,648	28,158	-	28,158
Right of use assets, net	3,624	-	3,624	8,129	-	8,129
TOTAL ASSETS	4,031,990	(985,607)	3,046,383	4,125,281	(645,282)	3,479,999
LIABILITIES						
Accrued & other liabilities	238,808	(216,503)	22,305	265,167	(47,753)	217,414
Reinsurers' balance payable	175,060	(175,060)	-	155,259	(155,259)	-
Unearned premium income	1,161,869	(1,161,869)	-	897,653	(897,653)	-
Unearned reinsurance commission income	14,576	(14,576)	-	18,034	(18,034)	-
Insurance Contract Liabilities	-	2,228,263	2,228,263	-	1,901,780	1,901,780
Reinsurance Contract Liabilities	-	46,001	46,001	-	-	-
Outstanding claims	684,833	(684,833)	-	743,807	(743,807)	-
Gross IBNR	734,281	(734,281)	-	463,364	(463,364)	-
Premium Deficiency Reserve	129,934	(129,934)	-	77,810	(77,810)	-
Other Technical reserves	41,737	(41,737)	-	65,942	(65,942)	-
Due to related parties	1,259	(1,259)	-	2,048	(2,048)	-
Accounts payable	122,512	(122,174)	338	256,861	(59,956)	196,905
Deferred tax liability	3,188	-	3,188	2,438	-	2,438
End of Service benefits	33,787	(33,787)	-	28,770	(28,770)	-
Policyholder's Surplus distributable payable	5,516	(5,516)	-	82,762	(82,762)	-
Zakat & income Tax	4,289	-	4,289	14,025	-	14,025
Lease liability	3,633	-	3,633	8,534	-	8,534
Accrued commission income payable to SAMA	31,648	-	31,648	28,158	-	28,158
TOTAL LIABILITIES	3,386,930	(1,047,265)	2,339,665	3,110,632	(741,378)	2,369,254
SHAREHOLDERS' EQUITY						
Share capital	1,050,000	-	1,050,000	1,050,000	-	1,050,000
Share premium	70,000	-	70,000	70,000	-	70,000
Statutory Reserve	26,135	-	26,135	26,135	-	26,135
Accumulated losses	(462,817)	4,216	(458,601)	(147,611)	85,880	(61,731)
Fair values reserve gain on investments	(19,662)	57,442	37,780	25,682	10,216	35,898
TOTAL SHAREHOLDERS'	663,656	61,658	725,314	1,024,206	96,096	1,120,302
Re-measurement reserve for end-of-service indemnities	(18,596)	-	(18,596)	(9,557)	-	(9,557)
TOTAL EQUITY	645,060	61,658	706,718	1,014,649	96,096	1,110,745
TOTAL LIABILITIES AND EQUITY	4,031,990	(985,607)	3,046,383	4,125,281	(645,282)	3,479,999

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4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (Continued)

4.2 Reclassification impact on interim condensed statement of income on adoption of IFRS 17

The line-item descriptions in the interim condensed statement of income have been changed significantly compared with prior period.

Previously, the company reported the following line items:

- Gross written premium
- Reinsurance premiums ceded
- Excess of loss expenses
- Changes in unearned premiums – net
- Gross claims paid
- Reinsurer share of claims paid
- Changes in outstanding claims, net
- Changes in claims incurred but not reported, net
- Changes in premium deficiency reserves
- Changes in other technical reserves
- Policy acquisition costs
- Allowance for doubtful receivables
- General and administrative expenses

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Allocation of reinsurance premiums
- Amounts recoverable from reinsurance
- Other operating expenses

Reconciliation of interim condensed statement of income for the period ended 31 March 2022

	31 March 2022 (Unaudited)		
	SAR (000)		
	Pre adoption of IFRS 17 and	Adjustment	Post adoption of IFRS 17 and
REVENUES			
Gross premiums written			
- Direct	1,231,201	(1,231,201)	-
- Reinsurance	-	-	-
Reinsurance premiums ceded	1,231,201	(1,231,201)	-
- Local	(7,813)	7,813	-
- International (includes ceded through local broker)	(104,635)	104,635	-
	(112,448)	112,448	-
- Excess of loss expenses - local	-	-	-
- Excess of loss expenses - foreign	(4,691)	4,691	-
Net premiums written	1,114,062	(1,114,062)	-
Changes in unearned premiums, net	(645,677)	645,677	-
Net premiums earned	468,385	(468,385)	-
Reinsurance commissions	15,272	(15,272)	-
TOTAL REVENUES	483,657	(483,657)	-
Insurance revenue	-	668,463	668,463
Insurance service expense	-	(780,144)	(780,144)
Insurance service result before reinsurance contracts held	-	(111,681)	(111,681)
Net income (expense) from reinsurance contract held	-	31,991	31,991
INSURANCE SERVICE RESULTS	-	(79,690)	(79,690)

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4 EXPLANATION TO TRANSITION TO IFRS 17, IFRS 9 AND OTHER CHANGES (Continued)

4.2 Reconciliation of interim condensed statement of income for the period ended 31 March 2022 (continued)

	31 March 2022 (Unaudited)		
	SAR (000)		
	Pre adoption of IFRS 17 and IFRS 09	Adjustment	Post adoption of IFRS 17 and IFRS 09
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	(562,008)	562,008	-
Expenses incurred related to claims	(5,330)	5,330	-
Hospital discount	29,776	(29,776)	-
Reinsurers' share of claims paid	164,768	(164,768)	-
Net claims and other benefits paid	(372,794)	372,794	-
Changes in outstanding claims, net	(54,988)	54,988	-
Changes in incurred but not reported claims, net	2,522	(2,522)	-
Net claims and other benefits incurred	(425,260)	425,260	-
Changes in premium deficiency reserve	(38,484)	38,484	-
Other technical reserves	1,657	(1,657)	-
Policy acquisition costs	(6,406)	6,406	-
TOTAL UNDERWRITING COSTS AND EXPENSES	(468,493)	468,493	-
NET UNDERWRITING INCOME	15,164	(15,164)	
Interest revenue from financial assets not measured at FVTPL	-	4,461	4,461
Net gains on FVTPL Investments	-	16,277	16,277
Net gains on investments in debt securities measured at FVOCI reclassified to profit or loss on disposal	-	-	-
Net gains from the de-recognition of financial assets measured at AC	-	-	-
Dividend income	-	3,363	3,363
Impairment loss on financial assets	-	(3,568)	(3,568)
Net Investment income/expense	-	20,533	20,533
Insurance finance expenses for insurance contracts issued	-	49,280	49,280
Reinsurance finance income for reinsurance contracts held	-	(6,238)	(6,238)
Net Insurance finance expense	-	43,042	43,042
NET INSURANCE & INVESTMENT RESULTS	-	(16,115)	(16,115)
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful debts	(3,568)	3,568	-
General and administrative expenses	(92,276)	92,276	-
Special commission income	4,574	(4,574)	-
Realized gain on available for sale investment	16,277	(16,277)	-
Dividend income	3,363	(3,363)	-
Other income	1,071	(1,071)	-
TOTAL OTHER OPERATING EXPENSES	(70,559)	70,559	-
NET (LOSS)/ INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	(55,395)	55,395	-
Zakat and income tax			
Current zakat and income tax	(1,000)	1,000	-
Deferred tax	(250)	250	-
Net (loss)/ income for the period	(56,645)	56,645	-
Other income	-	1,183	1,183
Other operating expenses	-	(1,023)	(1,023)
Other finance costs	-	-	-
TOTAL OTHER OPERATING EXPENSES	-	160	160
INCOME BEFORE SURPLUS, ZAKAT AND INCOME TAX	-	(15,955)	(15,955)
Attributable to Insurance Operations	-	-	-
SHAREHOLDERS' INCOME BEFORE ZAKAT AND INCOME TAX	-	(15,955)	(15,955)
Zakat charge	-	(1,000)	(1,000)
Income tax charge	-	(250)	(250)
SHAREHOLDERS' INCOME AFTER ZAKAT AND INCOME TAX	-	(17,205)	(17,205)

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4.2 Changes in Accounting Policy

The company has adopted IFRS 9 as issued by IASB in July 2014 with the date of initial application of 1 January 2021 for insurer which was subsequently changed to 1 January 2023, which resulted in changes in accounting policies and adjustments to the previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the company has elected to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of initial application were recognised in the comparative retained earnings and fair value reserve of the current period.

Set out below are the disclosures relating to the impact of the adoption of IFRS 9 on the Company as at January 1, 2022. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in Notes below

4.2.1 a) Classification and Measurement of financial instruments

IAS 39			IFRS 9		
Measurement category			Measurement category		
Carrying amount			Carrying amount		
SAR "000"			SAR "000"		
Financial Assets					
1	Cash and cash equivalents	Amortised cost	597,682	Amortised cost	597,682
2	Short-term deposits	Amortised cost	50,000	Amortised cost	50,000
3	Accrued Interest	Amortised cost	15,719	Amortised cost	15,719
4	Long Term Deposit	Amortised cost	-	Amortised cost	-
5 Investments					
a)	Available for Sale -Equity Securities	Available for Sale	176,522	FVTPL	176,522
b)	Available for Sale -Equity Securities	Available for Sale	2,860	FVTOCI	35,898
c)	Available for Sale - Mutual Funds	Available for Sale	143,039	FVTPL	143,039
d)	Available for Sale -Sukuk	Available for Sale	340,018	Amortised cost	340,018
6	Statutory Deposit	Amortised cost	120,000	Amortised cost	120,000
7	Accrued income on statutory deposit	Amortised cost	28,158	Amortised cost	28,158
8	Prepayment and other assets	Amortised cost	215,892	Amortised cost	215,892
Total financial assets			1,689,890		1,722,928

4.2.1 b) Reconciliation of statement of financial position from IAS 39 to IFRS 9

The company performed a detailed analysis of its business models for managing financial assets particularly considering the cash flow characteristics of its debt instruments. Please refer to note below for more detailed information regarding the new classification requirements of IFRS 9

	Notes	IAS 39 carrying amount (31 Dec 2021)	Reclassification	Remeasurement-ECL allowance	IFRS 9 carrying amount (1 Jan 2022)
SAR "000"					
1	Cash and cash equivalents	-	-	-	-
2	Short Term Deposits	-	-	-	-
3	Statutory Deposit	-	-	-	-

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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5 INSURANCE AND REINSURANCE CONTRACTS

	March 31, 2023 Unaudited	December 31, 2022 Unaudited Re-stated
	SAR'000	
Insurance Contract assets	27,161	23,677
Insurance Contract liabilities	(2,335,751)	(2,228,263)
Reinsurance Contract assets	871,080	701,738
Reinsurance Contract liabilities	(188,751)	(46,001)
Balance at end of the period	<u>(1,626,261)</u>	<u>(1,548,849)</u>

5.1 Analysis by remaining coverage and incurred claims for insurance contracts

Insurance contracts issued:

Opening insurance contract liabilities	818,421	174,601	1,235,241	2,228,263
Opening insurance contract assets	(34,574)	-	10,897	(23,677)
Net opening balance	783,847	174,601	1,246,138	2,204,586
Insurance revenue	779,299	-	-	779,299
Incurred claims and other directly attributable expenses	-	74,665	(806,674)	(732,009)
Amortization of Insurance acquisition cash flows	(77,246)	-	-	(77,246)
Changes that relate to future service: Loss & reversal of onerous loss contracts	-	(144,943)	-	(144,943)
Changes that relate to past service: Changes related to LIC	-	-	119,100	119,100
Insurance service expense	(77,246)	(70,278)	(687,674)	(835,098)
Insurance service result	702,053	(70,278)	(687,574)	(55,799)
Net finance expense from insurance contract	-	-	(10,112)	(10,112)
Effect of movement in exchange rate	-	-	-	-
Total changes in statement of profit or loss	702,053	(70,278)	(697,686)	(65,911)
Cash flows				
Premium received	864,815	-	-	864,815
Claims and other expenses paid including investment component	-	-	(743,187)	(743,187)
Acquisition cash flows paid	(83,535)	-	-	(83,535)
Total cash flows	781,280	-	(743,187)	38,093
Net closing balance	863,074	244,879	1,200,637	2,308,590
Closing insurance contract liabilities	895,007	244,879	1,195,865	2,335,751
Closing insurance contract assets	(31,933)	-	4,772	(27,161)
Net Closing balance	863,074	244,879	1,200,637	2,308,590

March 31, 2023 (Unaudited)			
SAR'000			
Liability for Remaining Coverage		Liability for incurred claim	Total
Excl loss component	Loss component		
818,421	174,601	1,235,241	2,228,263
(34,574)	-	10,897	(23,677)
783,847	174,601	1,246,138	2,204,586
779,299	-	-	779,299
-	74,665	(806,674)	(732,009)
(77,246)	-	-	(77,246)
-	(144,943)	-	(144,943)
-	-	119,100	119,100
(77,246)	(70,278)	(687,674)	(835,098)
702,053	(70,278)	(687,574)	(55,799)
-	-	(10,112)	(10,112)
-	-	-	-
702,053	(70,278)	(697,686)	(65,911)
864,815	-	-	864,815
-	-	(743,187)	(743,187)
(83,535)	-	-	(83,535)
781,280	-	(743,187)	38,093
863,074	244,879	1,200,637	2,308,590
895,007	244,879	1,195,865	2,335,751
(31,933)	-	4,772	(27,161)
863,074	244,879	1,200,637	2,308,590

Insurance contracts issued:

Opening insurance contract assets	(35,586)	-	47,434	11,848
Opening insurance contract liabilities	551,031	81,698	1,234,317	1,867,046
Net opening balance	515,445	81,698	1,281,751	1,878,894
Insurance revenue	2,643,129	-	-	2,643,129
Incurred claims and other directly attributable expenses	-	81,698	(2,746,801)	(2,665,103)
Amortization of Insurance acquisition cash flows	(244,204)	-	-	(244,204)
Changes that relate to future service: Loss & reversal of onerous loss contracts	-	(174,601)	-	(174,601)
Changes that relate to past service: Changes related to LIC	-	-	177,489	177,489
Insurance service expense	(244,204)	(92,903)	(2,569,312)	(2,906,419)
Insurance service result	2,398,925	(92,903)	(2,569,312)	(263,290)
Net finance expense from insurance contract	-	-	64,290	64,290
Effect of movement in exchange rate	-	-	-	-
Total changes in statement of profit or loss	2,398,925	(92,903)	(2,505,022)	(199,000)
Cash flows				
Premium received	2,928,074	-	-	2,928,074
Claims and other expenses paid including investment component	-	-	(2,540,635)	(2,540,635)
Acquisition cash flows paid	(260,747)	-	-	(260,747)
Total cash flows	2,667,327	-	(2,540,635)	126,692
Net closing balance	783,847	174,601	1,246,138	2,204,586
Closing insurance contract assets	(34,574)	-	10,897	(23,677)
Closing insurance contract liabilities	818,421	174,601	1,235,241	2,228,263
Net Closing balance	783,847	174,601	1,246,138	2,204,586

December 31, 2022 (Unaudited) (Restated)			
SAR'000			
Liability for Remaining Coverage		Liability for incurred claim	Total
Excl loss component	Loss component		
(35,586)	-	47,434	11,848
551,031	81,698	1,234,317	1,867,046
515,445	81,698	1,281,751	1,878,894
2,643,129	-	-	2,643,129
-	81,698	(2,746,801)	(2,665,103)
(244,204)	-	-	(244,204)
-	(174,601)	-	(174,601)
-	-	177,489	177,489
(244,204)	(92,903)	(2,569,312)	(2,906,419)
2,398,925	(92,903)	(2,569,312)	(263,290)
-	-	64,290	64,290
-	-	-	-
2,398,925	(92,903)	(2,505,022)	(199,000)
2,928,074	-	-	2,928,074
-	-	(2,540,635)	(2,540,635)
(260,747)	-	-	(260,747)
2,667,327	-	(2,540,635)	126,692
783,847	174,601	1,246,138	2,204,586
(34,574)	-	10,897	(23,677)
818,421	174,601	1,235,241	2,228,263
783,847	174,601	1,246,138	2,204,586

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5 INSURANCE AND REINSURANCE CONTRACTS (Continued)

5.2 Analysis by remaining coverage and incurred claims for reinsurance contracts

Rwinsurance contracts held:

Opening reinsurance contract liabilities	(49,164)	-	3,163	(46,001)
Opening reinsurance contract assets	-	22,958	678,780	701,738
Net opening balance	(49,164)	22,958	681,943	655,737
Reinsurance revenue	-	-	-	-
Reinsurance expense	(165,517)	-	-	(165,517)
Acquisition Expenses	(1,816)	-	-	(1,816)
Claims recovered	-	-	356,023	356,023
Changes that relate to past service: Changes related to AIC	-	-	(222,652)	(222,652)
Income on initial recognition of onerous underlying contracts	-	132,098	-	132,098
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	(51,466)	-	(51,466)
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	-	-	-	-
Effect of changes in the risk of reinsurers non-performance	-	-	(2,665)	(2,665)
Net income (expenses) from reinsurance contracts held	(167,333)	80,632	130,706	44,005
Other - items attributable to the comprehensive income	(28,041)	-	28,041	-
Net finance expense from insurance contract	-	-	6,237	6,237
Effect of movement in exchange rate	-	-	-	-
Total changes in statement of profit or loss	(195,374)	80,632	164,984	50,242
Cash flows	-	-	-	-
Premium paid	55,787	-	-	55,787
Recoveries from reinsurance	-	-	(79,437)	(79,437)
Total cash flows	55,787	-	(79,437)	(23,650)
Net closing balance	(188,751)	103,590	767,490	682,329
Closing reinsurance contract liabilities	(188,751)	-	-	(188,751)
Closing reinsurance contract assets	-	103,590	767,490	871,080
Net Closing balance	(188,751)	103,590	767,490	682,329

March 31, 2023 (Unaudited)			
SAR'000			
Asset for Remaining Coverage		Asset for incurred claim	Total
Excl loss component	Loss recovery component		
(49,164)	-	3,163	(46,001)
-	22,958	678,780	701,738
(49,164)	22,958	681,943	655,737
-	-	-	-
(165,517)	-	-	(165,517)
(1,816)	-	-	(1,816)
-	-	356,023	356,023
-	-	(222,652)	(222,652)
-	132,098	-	132,098
-	(51,466)	-	(51,466)
-	-	-	-
-	-	(2,665)	(2,665)
(167,333)	80,632	130,706	44,005
(28,041)	-	28,041	-
-	-	6,237	6,237
-	-	-	-
(195,374)	80,632	164,984	50,242
-	-	-	-
55,787	-	-	55,787
-	-	(79,437)	(79,437)
55,787	-	(79,437)	(23,650)
(188,751)	103,590	767,490	682,329
(188,751)	-	-	(188,751)
-	103,590	767,490	871,080
(188,751)	103,590	767,490	682,329

Rwinsurance contracts held:

Opening reinsurance contract assets	98,266	-	895,813	994,079
Opening reinsurance contract liabilities	-	-	9,985	9,985
Net opening balance	98,266	-	905,798	1,004,064
Insurance revenue	-	-	-	-
Reinsurance expense	(438,974)	-	-	(438,974)
Other directly attributable expenses	(8,997)	-	-	(8,997)
Claims recovered	-	-	456,796	456,796
Changes that relate to past service: Changes related to AIC	-	-	(422,705)	(422,705)
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	-	22,958	-	22,958
Effect of changes in the risk of reinsurers non-performance	-	-	68,999	68,999
Net income (expenses) from reinsurance contracts held	(447,971)	22,958	103,090	(321,923)
Net finance expense/income from insurance contract	-	-	(8,590)	(8,590)
Other - items attributable to the comprehensive income	(28,041)	-	28,041	-
Total changes in statement of profit or loss	(476,012)	22,958	122,541	(330,513)
Cash flows	-	-	-	-
Premium paid	328,583	-	-	328,583
Recoveries from reinsurance	-	-	(346,397)	(346,397)
Total cash flows	328,583	-	(346,397)	(17,814)
Net closing balance	(49,163)	22,958	681,942	655,737
Closing reinsurance contract assets	-	22,958	678,780	701,738
Closing reinsurance contract liabilities	(49,164)	-	3,163	(46,001)
Net Closing balance	(49,164)	22,958	681,943	655,737

December 31, 2022 (Unaudited) (Restated)			
SAR'000			
Asset for Remaining Coverage		Asset for incurred claim	Total
Excl loss component	Loss recovery component		
98,266	-	895,813	994,079
-	-	9,985	9,985
98,266	-	905,798	1,004,064
-	-	-	-
(438,974)	-	-	(438,974)
(8,997)	-	-	(8,997)
-	-	456,796	456,796
-	-	(422,705)	(422,705)
-	22,958	-	22,958
-	-	68,999	68,999
(447,971)	22,958	103,090	(321,923)
-	-	(8,590)	(8,590)
(28,041)	-	28,041	-
(476,012)	22,958	122,541	(330,513)
-	-	-	-
328,583	-	-	328,583
-	-	(346,397)	(346,397)
328,583	-	(346,397)	(17,814)
(49,163)	22,958	681,942	655,737
-	22,958	678,780	701,738
(49,164)	-	3,163	(46,001)
(49,164)	22,958	681,943	655,737

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6 CASH AND CASH EQUIVALENTS

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

	SAR'000	
	Insurance operations	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Cash and bank balances	31,858	219,632
Deposits maturing within 3 months from the acquisition date	30,000	-
Deposit against letter of guarantee	94,528	103,143
	156,386	322,775

	SAR'000	
	Shareholders' operations	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Cash and bank balances	24,704	68,156
Deposits maturing within 3 months from the acquisition date	192,000	40,000
	216,704	108,156
	373,090	430,931

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 2.49% per annum (2021: 2.49% 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 18). 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 4.12% per annum (2021: 4.12% per annum).

For the period ended 31 March 2023, the carrying amounts of the short term deposits reasonably approximate the fair value at the statement of financial position date.

	SAR'000	
	Insurance operations	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Placed during the period	240,000	300,178
Matured during the period	(30,000)	(300,178)
Impairment allowance	(32)	-
	209,968	-

	SAR'000	
	Shareholders' operations	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Placed during the period	257,240	1,159,263
Matured during the period	(192,000)	(928,023)
Impairment allowance	(154)	-
	65,086	231,240

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8 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 11,457 thousand (a 25% equity interest) (2022: SAR 12,147 thousand), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

	SAR'000	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
At the beginning of the period / year	12,147	11,799
Dividend received from investment in an associate	-	(3,572)
(Loss) / Income from investment in an associate	(690)	3,920
At the end of period / year	11,457	12,147

9 INVESTMENTS

Investments are classified as set out below:

a) Investments carried at Fair Value through OCI

	SAR'000	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Type of Investments		
-Mutual Fund	-	18,000
-Equity - quoted	33,051	33,819
-Equity - unquoted	42,708	42,708
	75,759	94,527

The movements during the period in investments at Fair Value through OCI were as follows:

	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Fair value at beginning of the period / year	94,527	10,789
Purchase during the period / year	-	101,302
Sold during the period / year	(18,768)	(10,789)
Change in fair values	-	(6,775)
Fair value at end of the period / year	75,759	94,527

b) Investments carried at amortized cost

	SAR'000	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Type of Investments		
-Sukuks quoted- international	508,600	497,952
	508,600	497,952
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Opening balance at beginning of the period / year	497,952	340,018
Purchase during the period / year	10,648	157,934
Sold during the period / year	-	-
Change in fair values	-	-
Closing balance at end of the period / year	508,600	497,952

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9 INVESTMENTS (Continued)

c) Investments carried at Fair Value through P&L

	SAR'000	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Type of Investments		
-Equity	162,600	166,728
-Mutual Fund	137,931	35,287
	<u>300,531</u>	<u>202,015</u>

The movements during the period in investments at Fair Value through P&L were as follows:

	SAR'000	
	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Fair value at beginning of the period / year	202,015	176,522
Purchase during the period / year	76,999	332,235
Sold during the period / year	-	(414,594)
Change in fair values	21,517	107,852
Fair value at end of the period / year	<u>300,531</u>	<u>202,015</u>

10 STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is maintain a statutory deposit at 15% (31 December 2022: 15%). This statutory deposit cannot be withdrawn without the consent of SAMA. During the period ended 31 March 2023, the statutory deposit is currently maintained at 15% of the paid up capital, SR 1,050 million, amounting to SR 157.5 million. The Statutory deposit is placed at the commission rate of 3.28% per anum (2022 : 3.28%).

11 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, 2022 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.

12 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 33,167 thousand (31 December 2022: SAR 31,648 thousand). This commission cannot be withdrawn without the consent of Saudi Central Bank ("SAMA").

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13 ZAKAT AND INCOME TAX

a) Income tax charge for the period / year

There was no income tax charge in the period 2023 and 2022 due to net adjusted losses incurred.

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

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

	SAR '000	
	March 31, 2023 (unaudited)	31 December 2022 (unaudited)
At the beginning of the period / year	4,289	14,025
Charge - current period / year	1,000	4,534
Charge - prior period / year	-	(14,270)
Payments during the period / year	-	-
At the end of the period /year	5,289	4,289

The provision for zakat and income tax for the period is SR. 1,000 thousand (31 December 2022: SR 4,534 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 2022 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 lost its appeal to ZATCA to recover the remaining SAR 12.6m of what it considered to be an overpaid amount of tax of SAR 23.2m related to 2018 and 2019 and filed another appeal. The decision of the appeal is still not clear as at 31 March 2023.

d) Deferred tax

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

	SAR '000	
	March 31, 2023 (unaudited)	31 December 2022 (unaudited)
Opening deferred tax (liability)	(3,188)	(2,438)
Origination of temporary differences	-	(750)
Closing deferred tax (liability)	(3,188)	(3,188)

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

14.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 period ended		Balance receivable / (payable) as at	
		March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
SAR'000					
<u>Due from a related party</u>					
Medgulf BSC - Head office account (major shareholder)	-Balance due from at period / year end	-	-	2,453	2,453
	-Impairment loss	2,390	-	-	-
	-Net Balance due from at period / year end	-	-	2,453	2,453
Total due from related party					
<u>Due to a related party</u>					
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary	-	-	-	-
	-Third party administration fees	-	-	-	-
	-Claim incurred	-	-	-	-
	-Payment received	-	-	-	-
	-premium refundable	-	-	-	-
	-Payment on third party administration fees	-	-	-	-
	-Balance due to at year end*	-	-	1,931	1,931
Total due to related party					
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	-	(2,000)	165	165
	-Statutory deposit (refer note 14.a (i))	-	436	186,970	186,970
	-Gross written premiums	-	-	-	-
	-Premiums (refundable)	-	-	-	-
	-Claims incurred / adjustment	-	-	-	-
	-Outstanding Claims	1,519	967	-	-

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the period ended		Balance receivable / (payable) as at	
		March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Medivisa KSA (affiliate)	-Medical Claim Jordan / Balance	-	-	-	-
	-Medical claim Lebanon / balance	-	-	(654)	(654)
	-Medical claim Egypt / balance	-	-	(81)	(81)
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Discretionary portfolio arrangement (refer 14.a (ii))	-	-	-	-
	-Current account	-	386	2,542	2,542
	-Premiums refundable	-	-	-	-
Abunayyan trading Co (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	1	235	-	-
KSB Pumps Arabia (Under common directorship)	-Gross written premiums	-	(1)	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	61	-	-
Toray membrane middle east (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	1	29	-	-
Tumpane jubar (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	14	-	-

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the period ended		Balance receivable / (payable) as at	
		March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Bayan Credit Bureau (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	-	-	-
Medgulf BSC (major shareholder)	-Claim recoveries				
	-Reinsurance recovery (refer 14.a(iii))	-	-	5,203	5,203
	-Impairment loss	-	-	(3,902)	(3,902)
	-Net Balance receivable at year end	-	-	1,301	1,301
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at period / year end	-	-	3,856	3,856
	-Impairment loss	-	-	(3,856)	(3,856)
	-Net balance due from at period / year end	-	-	-	-
Citiscap (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	33	-	-
Middle east agriculture (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	20	-	-

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the period ended		Balance receivable / (payable) as at	
		March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Eletronic and electric industry (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	9	-	-
Addison Bradley International / Medgulf Lebanon (affiliate)	-Reinsurance recovery	-	-	-	-
	-Balance receivable at year end	-	-	59,498	59,498
	-Impairment loss	-	-	(59,498)	(59,498)
	-Net balance due from at period / year end	-	-	-	-
Arabian qudra (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	3	-	-	-
Saudi meter company (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	3	-	-
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	31	52	-	-
	-Premiums receivable	-	-	-	60
	-Claims incurred	1	33	-	-

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the period ended		Balance receivable / (payable) as at	
		March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Abunayyan electrical (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Claims incurred	-	2	-	-
Industrial instrumentation and control system(Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Impairment loss	-	-	-	-
	-Net Balance receivable at period / year end	-	-	-	-
	-Claims incurred	-	20	-	-
Saline water conversion corporation(Under common directorship)	-Gross written premiums	-	1,496	-	-
	-Premiums receivable	-	-	(82)	15
	-Claims incurred	11,635	28,622	-	-

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the period ended		Balance receivable / (payable) as at	
		March 31, 2023	March 31, 2022	March 31, 2023	December 31, 2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period / year	-	-	-	-
	-Reinsurance recoveries (Refer 14.a (iv))	-	-	-	-
	-Balance due from at period / year end	-	-	15,623	15,623
	-Impairment loss	-	-	(11,718)	(11,718)
	-Net balance due from at period / year end	-	-	3,905	3,905
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at period / year end	-	-	1,472	1,472
	-Impairment loss	-	-	(1,472)	(1,472)
	-Net balance due from at period / year end (Refer 14.a (v))	-	-	-	-
Saudi Fransi Capital (Under common)	--Gross written premiums	8,417	8,256	-	-
	-Premiums receivable	-	-	9,680	-
	-Impairment loss	-	-	1,047	-
	-Net balance due from at period / year end	-	-	-	-
	-Claims incurred	6,500	-	-	-
	-Investment portfolio	-	(423,600)	-	-

14.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 3.28% per annum

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

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

14. a (iv) This represent reinsurance claims recoverable from Addison Bradley International. Most of the reinsurance claim recoveries in respect of run-off treaties for the underwriting years up to 2014 have been collected by the related party either directly or through a broker (refer note 14.c).

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

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14 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

14.b Compensation of key management

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the three month period ended March 31, 2023 and 2022:

Three month period ended March 31, 2023

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR'000	
Salaries and compensation	-	2,148
Allowances	118	-
Annual remuneration	779	-
End of service indemnities	-	178
	897	2,326

Three month period ended March 31, 2022

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR'000	
Salaries and compensation	-	2,368
Allowances	-	-
Annual remuneration	817	-
End of service indemnities	-	143
	817	2,511

14.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.

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15 INSURANCE REVENUE AND EXPENSES

An analysis of insurance revenue, insurance expenses and net expenses from reinsurance contracts held by product line for the period ended 31 March 2023 is included in the following tables. Additional information on amounts recognized in statement of income is included in the insurance contract balances.

	SAR '000	
	31 March 2023 (unaudited)	31 March 2022 (unaudited) (Restated)
Insurance Revenue		
Contracts not measured under the PAA	-	-
Amounts relating to the changes in the LRC:	-	-
Expected incurred claims and other expenses after loss component allocation	-	-
Experience Adjustments (Prem and Acq Costs not through CSM)	-	-
Changes in the risk adjustment for non-financial risk for the risk expired after loss component allocation	-	-
CSM recognised in profit or loss for the services provided	-	-
Insurance acquisition cash flows recovery	-	-
Insurance revenue from contracts not measured under the PAA	-	-
Insurance revenue from contracts measured under the PAA	779,299	668,463
Total Insurance Revenue	779,299	668,463

	SAR '000	
	31 March 2023 (unaudited)	31 March 2022 (unaudited) (Restated)
Insurance Service Expenses		
Incurred claims and other directly attributable expenses	(732,009)	(1,312,589)
Changes that relate to past service - adjustments to the LIC	119,100	696,027
Losses on onerous contracts and reversal of the losses	(144,943)	(116,848)
Insurance acquisition cash flows amortisation	(77,246)	(46,734)
Total Insurance Service Expenses	(835,098)	(780,144)

	SAR '000	
	31 March 2023 (unaudited)	31 March 2022 (unaudited) (Restated)
Net Income (expenses) from Reinsurance Contracts held		
Reinsurance income (expenses) - contracts not measured under the PAA	-	-
Amounts relating to changes in the remaining coverage:	-	-
Expected claims and other expenses recovery	-	-
Changes in the risk adjustment recognised for the risk expired	-	-
CSM recognised for the services received	-	-
Reinsurance income (expenses) - contracts not measured under the PAA	-	-
Reinsurance income (expenses) - contracts measured under the PAA	(165,517)	84,481
Other incurred directly attributable expenses	(1,816)	(2,324)
Income on initial recognition of onerous underlying contracts	132,098	-
Claims recovered	356,023	298,936
Movement in Loss Recovery Component adjustment to Reinsurance ARC	(51,466)	10,487
Effects of changes in the risk of reinsurers' non-performance	(2,665)	(18,086)
Changes that relate to past service - adjustments to incurred claims	(222,652)	(341,503)
Total net income from reinsurance contracts held	44,005	31,991
Total Insurance Service Result	(11,794)	(79,690)

16 INSURANCE FINANCE EXPENSE

An analysis of the net insurance finance expenses is presented below:

	SAR '000	
	31 March 2023 (unaudited)	31 March 2022 (unaudited) (Restated)
Finance income (expenses) / income from insurance contracts issued		
Interest accreted	(3,149)	(359)
Effect of changes in interest rates and other financial assumptions	(6,963)	49,639
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	-	-
Foreign exchange differences	-	-
Finance income (expenses) / income from insurance contracts issued	(10,112)	49,280
Finance income (expenses) / income from reinsurance contracts held		
Interest accreted	1,606	240
Effect of changes in interest rates and other financial assumptions	4,631	(6,478)
Change of risk of non-performance of reinsurer	-	-
Effect of changes in FCF at current rates when CSM is unlocked at locked in rates	-	-
Finance income (expenses) / income from reinsurance contracts held	6,237	(6,238)
Net insurance finance income (expenses) / income	(3,875)	43,042

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17 SHARE CAPITAL AND EARNING / (LOSS) PER SHARE

a) Share capital

The authorized and paid up share capital of the Company is SAR 1,050 million divided into 105 million shares of SAR 10 each.

b) Earnings / (loss) per share

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

	SAR '000	
	31 March 2023 (unaudited)	31 March 2022 (unaudited) (Restated)
Net income / (loss) for the period	36,195	(17,205)
Weighted average number of ordinary shares	105,000	105,000
Earnings / (loss) per share	0.34	(0.16)

18 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

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

b) Contingencies and capital commitments

As at 31 March 2023, the Company's banker has issued letters of guarantee of SR 74,223 thousand (31 December 2022: SR 103,143 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them. The Company had no capital commitments in 2023 (31 December 2022: 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 position.

19 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 other income, dividend income, other operating expenses, impairment loss, 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, investments, prepayments and other assets, intangible assets, statutory deposit and property and equipment as these are reported and monitored on a

Segment liabilities do not include allocation of accrued expenses and other liabilities, account and commission payable, zakat and tax and commissions payable to SAMA.

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19 Operating segments (continued)	As at March 31, 2023 (unaudited)					
	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Insurance Contract Assets	3,673	-	23,488	27,161	-	27,161
Reinsurance Contract Assets	315,789	156,750	398,541	871,080	-	871,080
Unallocated assets	-	-	-	1,612,503	842,273	2,454,776
Total assets	319,462	156,750	422,029	2,510,744	842,273	3,353,017
Liabilities						
Insurance contract liabilities	1,224,777	458,776	652,198	2,335,751	-	2,335,751
Reinsurance contract liabilities	154,534	-	34,217	188,751	-	188,751
Unallocated liabilities	-	-	-	43,923	41,679	85,602
Total liabilities	1,379,311	458,776	686,415	2,568,425	41,679	2,610,104

Operating segments	As at December 31, 2022 (unaudited) (restated)					
	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Insurance Contract Assets	1,420	1,948	20,308	23,676	-	23,676
Reinsurance Contract Assets	43,910	177,187	457,683	678,780	-	678,780
Unallocated assets	-	-	-	1,579,371	741,597	2,320,968
Total assets	45,330	179,135	477,991	2,281,827	741,597	3,023,424
Liabilities						
Insurance contract liabilities	925,626	623,723	678,913	2,228,262	-	2,228,262
Reinsurance contract liabilities	-	1,678	21,366	23,044	-	23,044
Unallocated liabilities	-	-	-	25,261	40,139	65,400
Total liabilities	925,626	625,401	700,279	2,276,567	40,139	2,316,706

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19 Operating segments (continued)

For the three month period ended March 31, 2023 (unaudited)						
	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Insurance revenue	519,493	179,688	80,118	779,299	-	779,299
Insurance service expense	(694,404)	(148,215)	7,521	(835,098)	-	(835,098)
Net income from reinsurance contract held	140,920	(39,640)	(57,275)	44,005	-	44,005
Insurance service result	(33,991)	(8,167)	30,364	(11,794)	-	(11,794)
Interest revenue from financial assets not measured at FVTPL	-	-	-	-	12,344	12,344
Unrealised gain on Investments at FVTPL	-	-	-	-	21,517	21,517
Dividend income	-	-	-	-	1,612	1,612
Impairment reversal / (loss) on financial assets	-	-	-	2,088	154	2,242
Net investment income	-	-	-	2,088	35,627	37,715
Insurance finance expenses for insurance contracts issued	(4,348)	(1,339)	(4,425)	(10,112)	-	(10,112)
Reinsurance finance income for reinsurance contracts held	21	1,231	4,985	6,237	-	6,237
Net Insurance finance expense	(4,327)	(108)	560	(3,875)	-	(3,875)
Net insurance and financial result	(38,318)	(8,275)	30,924	(13,581)	35,627	22,046
Other income	-	-	-	15,856	-	15,856
Share of (loss) / income from associate	-	-	-	(690)	-	(690)
Other operating expenses	-	-	-	(17)	-	(17)
Total other operating income	-	-	-	15,149	-	15,149
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX	(38,318)	(8,275)	30,924	1,568	35,627	37,195
Zakat charge	-	-	-	-	(1,000)	(1,000)
Income tax charge	-	-	-	-	-	-
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	(38,318)	(8,275)	30,924	1,568	34,627	36,195

For the three month period ended March 31, 2022 (unaudited) (restated)						
	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Insurance revenue	489,578	120,407	58,478	668,463	-	668,463
Insurance expense	(662,493)	(98,782)	(18,869)	(780,144)	-	(780,144)
Net income from reinsurance contract held	8,619	128,771	(105,399)	31,991	-	31,991
Insurance service result	(164,296)	150,396	(65,790)	(79,690)	-	(79,690)
Interest revenue from financial assets not measured at FVTPL	-	-	-	-	4,461	4,461
Unrealised gain on Investments at FVTPL	-	-	-	-	16,277	16,277
Dividend income	-	-	-	-	3,363	3,363
Impairment loss on financial assets	-	-	-	(3,568)	-	(3,568)
Net investment income/expense	-	-	-	(3,568)	24,101	20,533
Insurance finance income for insurance contracts issued	21,814	3,593	23,873	49,280	-	49,280
Reinsurance finance expense for reinsurance contracts held	56	942	(7,236)	(6,238)	-	(6,238)
Net Insurance finance expense	21,870	4,535	16,637	43,042	-	43,042
Net insurance and financial result	(142,426)	154,931	(49,153)	(40,216)	24,101	(16,115)
Other income	-	-	-	1,183	-	1,183
Other operating expenses	-	-	-	(54)	(969)	(1,023)
Total other operating expenses	-	-	-	1,129	(969)	160
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS BEFORE ZAKAT AND INCOME TAX	(142,426)	154,931	(49,153)	(39,087)	23,132	(15,955)
Zakat charge	-	-	-	-	(1,000)	(1,000)
Income tax charge	-	-	-	-	(250)	(250)
INCOME / (LOSS) ATTRIBUTED TO THE SHAREHOLDERS AFTER ZAKAT AND INCOME TAX	(142,426)	154,931	(49,153)	(39,087)	21,882	(17,205)

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19 Operating segments (continued)

For the three month period ended March 31, 2023 (unaudited)					
	Medical	Motor	Property & casualty	Shareholders' operations	Total
	SAR'000				
Revenues					
Gross premiums written					
- Individual	7,346	86,633	1,080	-	95,059
- Micro enterprise	34,748	15,180	1,114	-	51,042
- Small enterprises	76,795	16,393	4,530	-	97,718
- Medium enterprises	145,709	4,346	20,491	-	170,546
- Large enterprise	1,046,300	11,673	130,183	-	1,188,156
	1,310,898	134,225	157,398	-	1,602,521
Reinsurance premiums ceded					
- Local	8	29	(5,177)	-	(5,140)
- International (includes premium ceded through local broker)	(489,866)	(1,155)	(132,468)	-	(623,489)
	(489,858)	(1,126)	(129,378)	-	(628,629)

For the three month period ended March 31, 2022 (unaudited)					
	Medical	Motor	Property & casualty	Shareholders' operations	Total
	SAR'000				
Operating segment					
Revenues					
Gross premiums written					
- Individual	2,525	132,572	1,165	-	136,262
- Micro enterprise	35,668	2,352	1,787	-	39,807
- Small enterprises	32,710	5,638	6,273	-	44,621
- Medium enterprises	391,236	7,346	18,810	-	417,392
- Large enterprise	492,157	27,508	73,454	-	593,119
	954,296	175,416	96,463	-	1,231,201
Reinsurance premiums ceded					
- Local	(1,251)	(3,472)	(3,090)	-	(7,813)
- International (includes premium ceded through local broker)	-	(22,849)	(81,786)	-	(104,635)
	(1,251)	(26,321)	(81,880)	-	(112,448)

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20 COMPARATIVE FIGURES

Certain prior period amounts or balances may have been reclassified to conform with the current presentation.

21 APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company, on 6 Dhu'l-Hijjah 1444H, corresponding to 24 June 2023.