

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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION  
AND INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

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

**INTRODUCTION**

We have reviewed the accompanying interim condensed statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (a Saudi Joint Stock Company) (the "Company") as at 30 June 2020 and the related interim condensed statements of income and comprehensive income for the three and six month periods then ended and changes in equity and cash flows for the six months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

**SCOPE OF REVIEW**

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

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**EMPHASIS OF MATTERS**

1. We draw attention to note 9 of the accompanying interim condensed financial information which details the fact that 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. Our conclusion is not modified with respect to this matter.
2. We draw attention to note 5 of the accompanying interim condensed financial information which details the Company's accounting for its reinsurance transactions related to the general line of business, during the years until 2014, based on its understanding of the contractual terms of the reinsurance agreements. However, such accounting of reinsurance transactions might be subject to different interpretations. In order to resolve the issue, the Company has carried out an assessment of exposure and signed commutation agreements with the major reinsurer and agreed on balances with the said reinsurers, further appropriate provisions have been recorded for these transactions against balances due for settlement with the reinsurers and brokers. Our conclusion is not modified with respect to this matter.



**Crowe**

Al Azem, Al Sudairy, Al Shaikh & Partners  
CPA's & Consultants  
Member Crowe Global

**AlKharashi & Co.**

Certified Accountants And Auditors

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

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

## **EMPHASIS OF MATTER (Continued)**

3. We draw attention to note 2 to the accompanying interim condensed financial information. The Company did not meet the solvency margin requirements as at 30 June 2020. The deficiency in solvency margin indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the accompanying interim condensed financial information are prepared using the going-concern assumption based on management's assessment on Company's ability to continue as a going-concern. Our conclusion is not modified with respect to this matter.

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

Abdullah M. AlAzem  
Certified Public Accountant  
License No. 335

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

Sulieman A. Alkharashi  
Certified Public Accountant  
License No. 91



August 18, 2020  
Dhu'l-Hijjah 28, 1441H



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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

**AS AT JUNE 30, 2020**

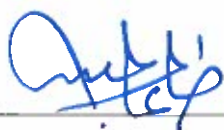
AS AT 31 DECEMBER 2019

		SAR '000	
	Notes	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents	6	551,461	291,216
Short term deposits	7	200,851	266,884
Premium and reinsurers' receivable, net	8	622,163	572,215
Reinsurers' share of unearned premiums	10 c	524,755	290,619
Reinsurers' share of outstanding claims	10 a	400,427	334,829
Reinsurers' share of claims incurred but not reported	10 a	239,255	222,617
Deferred policy acquisition costs		69,897	67,196
Due from related parties, net	9	1,994	63
Prepayment and other assets, net		129,329	253,841
Available for sale investments	12	543,316	479,445
Right of use assets, net		21,739	25,854
Property and equipment, net		48,410	46,170
Intangible assets, net		5,302	4,719
Deferred tax asset	17	10,982	11,962
Statutory deposit	13	120,000	120,000
Investment in an associate	11	9,926	9,393
Accrued commission on statutory deposit	19	25,671	23,864
Goodwill	14	480,000	480,000
<b>TOTAL ASSETS</b>		<b>4,005,478</b>	<b>3,500,887</b>

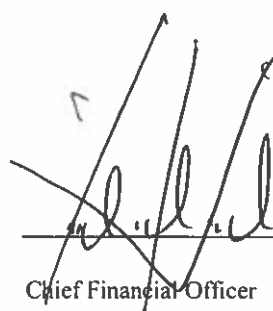
The accompanying notes 1 to 25 form an integral part of these financial statements.



Chairman of the  
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)**

**AS AT JUNE 30, 2020**

AS AT JUNE 30, 2020

		SAR '000	
	Notes	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>LIABILITIES</b>			
Accrued expenses and other liabilities		21,617	59,622
Accounts and commission payable		71,377	137,744
Lease liability		21,239	25,903
Reinsurers' balances payable		406,727	107,488
Gross unearned premiums	10 c	1,174,183	985,437
Unearned reinsurance commission		96,735	31,161
Gross outstanding claims	10 a	617,823	466,610
Claims incurred but not reported	10 a	634,286	751,200
Premium deficiency reserves	10 b	47,591	20,529
Other technical reserves	10 b	13,590	14,894
Due to a related party	9	198	17,080
End of service indemnities		19,333	27,451
Surplus distribution payable		107,054	112,561
Zakat & income tax	17 b	20,234	13,188
Accrued commission income payable to SAMA	19	25,671	23,864
<b>TOTAL LIABILITIES</b>		<b>3,277,658</b>	<b>2,794,732</b>
<b>EQUITY</b>			
Share capital	18	800,000	800,000
Statutory reserve	16	26,135	146,135
Accumulated losses		(109,262)	(256,482)
Re-measurement of defined benefit liability – employees benefits		(5,159)	(5,159)
Fair values reserve on investments		16,106	21,661
<b>TOTAL EQUITY</b>		<b>727,820</b>	<b>706,155</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,005,478</b>	<b>3,500,887</b>

**COMMITMENTS AND CONTINGENCIES**

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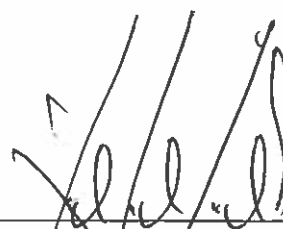
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Chairman of the  
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF INCOME  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

	SAR'000			
	For the three month period ended		For the six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>REVENUES</b>				
Gross premiums written				
-Direct	251,695	290,458	1,511,913	1,367,701
-Reinsurance	-	-	-	-
	251,695	290,458	1,511,913	1,367,701
Reinsurance premiums ceded				
-Local	(135)	(879)	(615)	(2,716)
-Abroad	(67,565)	(72,036)	(739,397)	(452,443)
	(67,700)	(72,915)	(740,012)	(455,159)
Excess of loss expenses – foreign	(13,950)	(12,056)	(28,253)	(23,998)
Net written premiums	170,045	205,487	743,648	888,544
Changes in unearned premiums, net	222,511	325,208	45,391	150,880
<b>Net premiums earned</b>	<b>392,556</b>	<b>530,695</b>	<b>789,039</b>	<b>1,039,424</b>
Re-insurance commissions	46,579	22,685	88,855	44,055
<b>TOTAL REVENUES</b>	<b>439,135</b>	<b>553,380</b>	<b>877,894</b>	<b>1,083,479</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>				
Gross claims paid	(509,097)	(441,717)	(849,111)	(890,741)
Expenses incurred related to claims	(7,901)	(8,528)	(13,641)	(13,585)
Hospital discount	18,601	21,299	39,800	42,296
Reinsurers' share of claims paid	121,279	55,716	202,904	131,703
<b>Net claims and other benefits paid</b>	<b>(377,118)</b>	<b>(373,230)</b>	<b>(620,048)</b>	<b>(730,327)</b>
Changes in outstanding claims, net	144,909	(51,235)	(85,614)	(101,314)
Changes in incurred but not reported claims, net	(14,666)	(39,448)	133,553	(75,369)
<b>Net claims and other benefits incurred</b>	<b>(246,875)</b>	<b>(463,913)</b>	<b>(572,109)</b>	<b>(907,010)</b>
Additional premium deficiency reserve	(35,915)	15,066	(27,062)	24,291
Other technical reserves	(189)	(1,269)	1,303	(5,258)
Policy acquisition costs	(34,190)	(35,874)	(56,188)	(57,135)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(317,169)</b>	<b>(485,990)</b>	<b>(654,056)</b>	<b>(945,112)</b>
<b>NET UNDERWRITING INCOME</b>	<b>121,966</b>	<b>67,390</b>	<b>223,838</b>	<b>138,367</b>
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>				
(Allowance for) / Reversal of doubtful debts	(17,615)	9,338	(24,615)	20,521
Legal case provision	-	(10,926)	-	(10,926)
General and administrative expenses	(91,833)	(90,392)	(183,588)	(175,060)
Special commission income	3,765	11,763	8,927	20,273
Income from investment in associate	2,211	-	2,211	-
Dividend income	2,410	-	2,410	-
Realized gain on available for sale investment	617	-	617	-
Other income	7,855	16,944	8,515	18,578
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(92,590)</b>	<b>(63,273)</b>	<b>(185,523)</b>	<b>(126,614)</b>
<b>NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>	<b>29,376</b>	<b>4,117</b>	<b>38,315</b>	<b>11,753</b>
Net income attributed to insurance operation	(2,376)	-	(3,069)	(589)
<b>NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>	<b>27,000</b>	<b>4,117</b>	<b>35,246</b>	<b>11,164</b>
Zakat and income tax				
Current zakat and income tax	(3,523)	(2,239)	(7,046)	(5,292)
Deferred tax	(491)	(1,040)	(980)	(2,081)
<b>Net income for the period</b>	<b>22,986</b>	<b>838</b>	<b>27,220</b>	<b>3,791</b>
<b>Earnings per share</b>				
Earnings per share (SAR per share)	0.29	0.01	0.34	0.05

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

Chairman of the Board of Directors

Chief Executive Officer

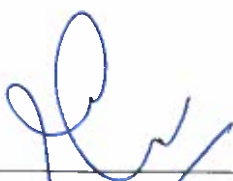
Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

		SAR'000			
		For the three month period ended		For the six month period ended	
Notes		June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)
	Net income for the period	22,986	838	27,220	3,791
	<b>Other comprehensive income / (loss)</b>				
	<b>Items that are or may be reclassified to statement of income in subsequent periods</b>				
	<u>Available for sale investments</u>				
	- Net change in fair values, insurance operations	12 111	-	181	-
	- Net change in fair values, shareholders' operations	12,590	3,190	(5,736)	4,958
	<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>	<b>35,687</b>	<b>4,028</b>	<b>21,665</b>	<b>8,749</b>

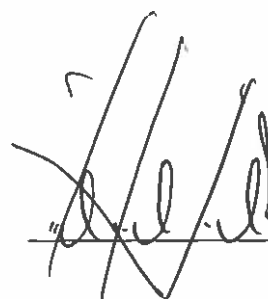
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Chairman of the  
Board of Directors



Chief Executive Officer



Chief Financial Officer



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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020**

**(SAR in '000')**

	Notes	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
<b>Balance as at January 1, 2020 (Audited)</b>		<b>800,000</b>	<b>146,135</b>	<b>(256,482)</b>	<b>21,661</b>	<b>(5,159)</b>	<b>706,155</b>
Reduction of statutory reserves	16	-	(120,000)	120,000	-	-	-
<b>Total comprehensive income for the period:</b>							
-Net income for the period		-	-	27,220	-	-	27,220
-Change in fair values	12 a&b	-	-	-	(5,555)	-	(5,555)
<b>Balance as at June 30, 2020 (Unaudited)</b>		<b>800,000</b>	<b>26,135</b>	<b>(109,262)</b>	<b>16,106</b>	<b>(5,159)</b>	<b>727,820</b>

	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
<b>Balance as at January 1, 2019 (Audited) (Restated)</b>	<b>800,000</b>	<b>146,135</b>	<b>(259,606)</b>	<b>(442)</b>	<b>(4,285)</b>	<b>681,802</b>
<b>Total comprehensive income for the period:</b>						
-Net income for the period	-	-	3,791	-	-	3,791
-Change in fair values	-	-	-	4,958	-	4,958
<b>Balance as at June 30, 2019 (Unaudited)</b>	<b>800,000</b>	<b>146,135</b>	<b>(255,815)</b>	<b>4,516</b>	<b>(4,285)</b>	<b>690,551</b>

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

Chairman of the  
Board of Directors

Chief Executive Officer

Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the period before zakat and income tax

**Adjustments for non-cash items:**

Depreciation and amortization

Allowance for / (Reversal of) doubtful debts

Special commission income

Income from investment in associate

Realized gain on available for sale investment

Provision for end of service indemnities

**Changes in operating assets and liabilities:**

Premiums and reinsurers' receivable

Reinsurers' share of unearned premiums

Reinsurers' share of outstanding claims

Reinsurers' share of claims Incurred but not reported

Deferred policy acquisition costs

Prepayment and other assets

Deposit against letter of guarantee

Right of use assets

Accounts and commission payable

Accrued expenses and other liabilities

Lease liability

Reinsurers' balances payable

Gross unearned premiums

Unearned reinsurance commission

Gross outstanding claims

Claims incurred but not reported

Premium deficiency reserves

Other technical reserves

Due from related party

Due to related party

Surplus paid to policyholders

Payment of employees end of service indemnities

Zakat and income tax paid

**Net cash from operating activities**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Dividend from investment in an associate

Changes in investment in an associate

Interest on statutory deposit

Interest payable on statutory deposit

Purchase of available for sale investments

Special commission income

Proceeds from / (placements in) short term deposits

(Additions) / disposal in property, equipment and intangible

**Net cash from / (used in) investing activities**

Net change in cash and cash equivalents

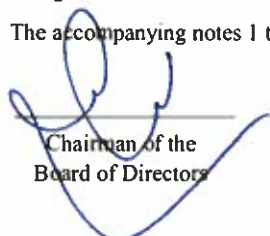
Cash and cash equivalents, beginning of the period

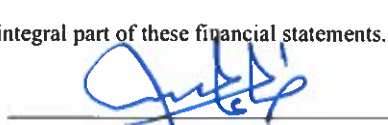
**Cash and cash equivalents, end of the period**

**NON-CASH INFORMATION**

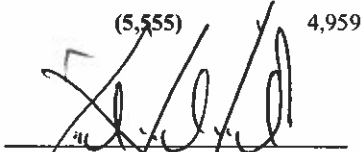
Change in fair value of available for sale investments

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

  
Chairman of the  
Board of Directors

  
Chief Executive Officer

SAR '000	
For the six month period ended	
Notes	June 30, 2020 (Unaudited)
	June 30, 2019 (Unaudited)
	38,315
	11,753
	4,695
	220
	24,615
	(20,521)
	(8,927)
	(20,273)
11	(2,211)
	(617)
	-
	(2,424)
	-
	53,446
	(28,821)
	(74,563)
	150,161
	(234,136)
	(161,984)
	(65,599)
	(28,493)
	(16,638)
	(76,999)
	(2,701)
	15,893
	124,512
	(155,095)
	(267)
	(9,277)
	4,115
	(26,494)
	(66,367)
	(24,177)
	(38,005)
	21,489
	(4,664)
	24,496
	299,239
	213,996
	188,746
	11,104
	65,574
	30,314
	151,213
	129,807
	(116,914)
	152,368
	27,062
	(24,291)
	(1,304)
	5,258
	(1,931)
	-
	(16,882)
	(5,289)
	273,936
	213,966
	(8,575)
	-
	(5,694)
	(6,927)
17	-
	(28,020)
	259,667
	179,019
	1,678
	4,897
	(2,211)
	(2,683)
	1,807
	2,365
	(1,807)
	(2,365)
	(69,426)
	(208,736)
	11,755
	20,273
	66,032
	(300,665)
	(7,518)
	2,902
	310
	(484,012)
	259,977
	(304,993)
6	210,896
	1,057,472
6	470,873
	752,479

(5,555) 4,959  
  
Chief Financial Officer

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

Medgulf Insurance  
Futuro Tower  
King Saud Road  
P.O. Box 2302  
Riyadh 11451, Saudi Arabia

The objectives of the Company are to transact in cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor and other general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

**2 BASIS OF PREPARATION**

**Basis of presentation**

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

**Statement of compliance**

The interim condensed financial information of the Company has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the insurance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders’ Operations and presents the interim condensed financial statements accordingly (refer note 23). The physical custody of all assets related to the Insurance Operations and Shareholders’ Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

**Functional and presentation currency**

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

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**2 BASIS OF PREPARATION (Continued)**

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in note 23 of the interim condensed financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

**Going concern**

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

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

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

The Board resolved at 18 December 2019 to reduce statutory reserve amounting to SAR 120 million against the accumulated losses which had been approved in Annual General Assembly meeting held on 3 June 2020 and adjusted accordingly.

Management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying cash flow projections under such scenarios, management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the interim condensed financial statements have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

**3 SURPLUS DISTRIBUTION**

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Authority ("SAMA"). In case of losses, losses are absorbed by shareholders.

The insurance operations' surplus for the six month period ended 30 June 2020 amounted to SAR 30,687 thousand (30 June 2019: surplus of SAR 5,886 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SAR 27,618 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SAR 3,069 thousand (30 June 2019: SAR 5,297 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SAR 589 thousand ).



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**4 STANDARDS AND AMENDMENTS ISSUED**

**Standards issued but not yet effective**

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

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

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

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

**IFRS 17 - "Insurance Contracts"**, applicable for the period beginning on or after 1 January 2023, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the income statement and the balance sheet. The Company has decided not to early adopt this new standard.

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**5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate and involves a significant degree of judgment. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

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

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

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

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

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

*ii) Premium deficiency reserve*

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

*iii Impairment of receivables*

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. During 2017, the Company has revisited its provisioning approach and significantly increased the level of provisioning in respect of insurance and reinsurance receivables due to increase in credit risk associated with the receivables.

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**5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)**

*iv) Goodwill impairment*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Management believes that fair value less cost to sell analysis provides a higher value compared to value in use, and therefore, fair value less cost to sell analyses are used for impairment assessments. Management used a valuation expert to perform fair value less cost to sell analysis through a market based approach to test impairment. The fair value less cost to sell calculation is based on the quoted share price of the Company as of period close and subsequent events that occurred till measurement date. In arriving at the valuation under market approach, the expert also applied certain judgments and factors including analysis of price book value multiples of the comparable companies and comparable transactions.

*v) Reinsurance*

The Company was accounting for its reinsurance transactions related to the general line of business based on its understanding of the contractual terms of the reinsurance agreements. However, such accounting of reinsurance transactions might be subject to different interpretations. In order to resolve the issue, the Company has carried out an assessment of exposure and signed commutation agreements with the major reinsurer and agreed on balances with the said reinsurers, further appropriate provisions have been recorded for these transactions against balances due for settlement with the reinsurers and brokers.

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

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

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

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

**Medical technical reserves**

Notwithstanding these challenges, the Company’s management believes that the technical reserves for medical line of business remain largely unaffected as the insurance industry is facilitated by the Saudi Arabian Government initiative of bearing all costs associated with Covid-19 pandemic, which include testing and treatment cost. Moreover, there is a general decrease in trend in medical claims which are of routine nature. Furthermore, the industry has not experienced significantly high number of reported claims and therefore has helped the Company to sustain the profitability. Based on these factors, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the six-month period ended 30 June 2020. The Company’s management continues to monitor the situation closely.

Based on the management’s assessment, the management believes that the Government’s decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company’s management. The Company’s management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at June 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SAR 30.5 mn (as a premium deficiency reserve).

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**5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)**

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

**Motor technical reserves**

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

For new policies written as per above circular, the premium is earned over the period of coverage i.e 14 month as per the Company accounting policy. There is no significant impact of two month extension in earned premium as of June 30, 2020 as no material amounts of premium have been written during the one month period. The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in existing motor policies as new policy and record a premium deficiency reserve based on the expected claims , amounting to SAR 10.2 mn, for the extended 2 months period.

**Financial assets**

The Company has performed an assessment in accordance with its accounting policy due to the Covid-19 pandemic to determine whether there is objective evidence that a financial asset or group of financial assets are impaired. These include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the company has performed an assessment to determine whether there is a significant decline in the fair value of financial assets below their cost. Based on these assessments, the Company’s management believes that the Covid-19 pandemic has had no material effects on Company’s reported results for the six month period ended 30 June 2020. The Company’s management continues to monitor the situation closely.

**Credit risk management**

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

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



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**6 CASH AND CASH EQUIVALENTS**

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

	<b>SAR'000</b>	
	<b>Insurance operations</b>	
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and bank balances	<b>110,213</b>	88,607
Deposits maturing within 3 months from the acquisition date	<b>281,814</b>	88,752
<b>Cash and cash equivalent in the statement of cash flows</b>	<b>392,027</b>	177,359
Deposit against letter of guarantee	<b>80,588</b>	80,321
	<b>472,615</b>	257,680

	<b>SAR'000</b>	
	<b>Shareholders' operations</b>	
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and bank balances	<b>5,472</b>	33,536
Deposits maturing within 3 months from the acquisition date	<b>73,374</b>	-
	<b>78,846</b>	33,536

<b>Cash and bank balances</b>	<b>551,461</b>	291,216
<b>Cash and cash equivalents in the statement of cash flow</b>	<b>470,873</b>	210,895

Cash at banks and short-term deposits are placed with counterparties who have credit ratings equivalent to A+ to BBB ratings under Standard and Poor's, Fitch and Moody's ratings methodology.

Deposits maturing within 3 months from the acquisition date are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 1.15% per annum (2019: 2.29% per annum).

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

Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favor of the Company's customers and service providers (also see note 21). Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (are restricted in nature).

**7 SHORT TERM DEPOSITS**

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

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 2.49% per annum (2019: 2.43% per annum).

For the period ended 30 June 2020 the carrying amounts of the short term deposits reasonably approximate the fair value at the interim condensed financial position date.

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**8 PREMIUM AND REINSURERS' RECEIVABLE, NET**

Receivables comprise amounts due from the following:

	<b>SAR'000</b>	
	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Policyholders	<b>562,570</b>	407,434
Brokers and agents	<b>291,476</b>	348,888
Premiums receivables	<b>854,046</b>	756,322
Less: Allowance for doubtful debts	<b>(264,608)</b>	(272,495)
	<b>589,438</b>	483,827
Reinsurers' receivable	<b>259,432</b>	307,208
Less: Allowance for doubtful debts	<b>(226,707)</b>	(218,820)
	<b>32,725</b>	88,388
Premium and reinsurers' receivable – net	<b>622,163</b>	572,215

As disclosed in note 9.c, the Company, together with CRC carried out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the company has booked full provision for this balance and disclosed under due from other related parties in note 9.

As at June 30, 2020, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	<b>SAR'000</b>	
	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Balance, January 1	<b>491,315</b>	528,642
Provision for the period / year	-	(37,327)
Balance at end of period / year	<b>491,315</b>	491,315

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**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

Related parties	Nature of transaction	Transactions for the six month period ended		Balance receivable / (payable) as at	
		June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
		SAR'000			
<b><u>Due from / to related parties</u></b>					
Medgulf BSC - Head office account (major shareholder)	-Balance due from at period end	-	-	2,453	2,453
	-Allowance for doubtful debts	-	-	(2,390)	(2,390)
	-Net Balance due from at period / year end	-	-	63	63
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary	-	2,916	-	-
	-Third party administration fees	-	27,914	-	-
	-Claim incurred	-	77	-	-
	-Payment received	-	-	-	-
	-premium refundable	-	138	-	-
	-Payment on third party administration fees	-	30,502	-	-
	-Balance due from / (due to) at period / year end	-	-	1,931	(17,080)
	-Claims management fee	2,835	-	-	-
	-Balance due from / (due to) at period / year end	-	-	(198)	-
	<b>Total due from related party</b>			<b>1,994</b>	<b>63</b>
<b>Total due to related party</b>			<b>(198)</b>	<b>(17,080)</b>	
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	(1,378)	(29,127)	2,559	3,937
	-Statutory deposit (refer note 9.a (i))	1,807	2,365	145,671	143,864
	-Gross written premiums	-	519	-	-
	-Premiums (refundable)	-	-	-	(413)
	-Claims incurred / adjustment	3	92	-	-
	-Outstanding Claims	-	-	-	(1,432)
		-	-	-	

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**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the six month period ended		Balance receivable / (payable) as at	
		June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Medivisa KSA (affiliate)	-Medical Claim	-	107	-	-
	Jordan / Balance				
	-Medical claim	(654)	(345)	(654)	-
	Lebanon / balance				
	-Medical claim	(81)	28	(81)	-
Egypt / balance					
	-Discretionary				
	portfolio	-	-	-	-
	arrangement (refer				
	9.a (ii))				
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Current account	693	1,170	693	-
	-Premiums	-	-	-	-
	refundable				
	-Gross written	(42)	-	-	-
	premiums				
Abunayyan trading Co (Under common directorship)	-Premiums	-	-	-	703
	receivable				
	-Allowance for	-	-	-	-
	doubtful debts				
	-Net balance due	-	-	-	703
from at period / year end					
	-Claims incurred	2,580	-	-	-
	-Gross written	(1)	-	-	-
	premiums				
	-Premiums	-	-	1	906
KSB Pumps Arabia (Under common directorship)	receivable				
	-Allowance for	-	-	-	-
	doubtful debts				
	-Net balance due	-	-	1	906
	from at period / year end				
-Claims incurred		256	-	-	-
	-Gross written	47	-	-	-
	premiums				
	-Premiums	-	-	-	680
	Toray membrane middle east (Under common directorship)	receivable			
-Allowance for		-	-	-	-
doubtful debts					
-Net balance due		-	-	-	680
from at period / year end					
-Claims incurred		178	-	-	-



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**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the six month period ended		Balance receivable / (payable) as at	
		June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Bayan Credit Bureau (Under common directorship)	-Gross written premiums	46	32	-	-
	-Premiums receivable	-	-	-	10
	-Claims incurred	224	(213)	-	-
Medgulf BSC (major shareholder)	-Claim recoveries	-	-	-	-
	-Reinsurance recovery (refer 9.a(iii))	-	-	5,962	5,962
	-Allowance for doubtful debts	-	-	(4,471)	(4,471)
	-Net balance due from at period / year end	-	-	1,491	1,491
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at period / year end	-	-	3,856	3,856
	-Allowance for doubtful debts	-	-	(3,856)	(3,856)
	-Net balance due from at period / year end	-	-	-	-
Citiscap (Under common directorship)	-Gross written premiums	164	-	-	-
	-Premiums receivable	-	-	120	1,399
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	120	1,399
	-Claims incurred	300	-	-	-
Middle east agriculture (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	6	650
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	6	650
	-Claims incurred	199	-	-	-

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**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the six month period ended		Balance receivable / (payable) as at	
		June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Eletronic and electric industry (Under common directorship)	-Gross written premiums	(23)	-	-	-
	-Premiums receivable	-	-	1	1,070
	-Claims incurred	567	-	-	-
	-Reinsurance recovery	-	-	-	-
Addison Bradley International / Medgulf Lebanon (affiliate)	-Balance receivable at period / year end (Refer 9.c)	-	-	59,498	30,265
	-Allowance for doubtful debts	-	-	(59,498)	(30,242)
	-Net balance due from at period / year end	-	-	-	23
	-Claims incurred	257	-	-	-
Arabian qudra (Under common directorship)	-Gross written premiums	(18)	-	-	-
	-Premiums receivable	-	-	-	457
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	-	457
Saudi meter company (Under common directorship)	-Gross written premiums	16	-	-	-
	-Premiums receivable	-	-	14	121
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	14	121
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	70	-	-	-
	-Premiums receivable	-	-	57	3,129
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	57	3,129
	-Claims incurred	1,055	-	-	-

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for the six month period ended		Balance receivable / (payable) as at	
		June 30, 2020	June 30, 2019	June 30, 2020	December 31, 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Abunayyan electrical (Under common directorship)	-Gross written premiums	10	-	-	-
	-Premiums receivable	-	-	-	266
	-Allowance for doubtful debts	-	-	-	
	-Net balance due from at period / year end	-	-	-	266
	-Claims incurred	114	-	-	-
	Industrial instrumentation and control system(Under common directorship)	-Gross written premiums	31	-	-
-Premiums receivable		-	-	-	631
-Allowance for doubtful debts		-	-	-	(15)
-Net balance due from at period / year end		-	-	-	616
-Claims incurred		131	-	-	-
Saline water conversion corporation(Under common directorship)		-Gross written premiums	-	2,609	-
	-Premiums receivable	-	-	107	107
	-Allowance for doubtful debts	-	-	(27)	-
	-Net balance due from at period / year end	-	-	80	107
	-Claims incurred	33,846	3,687	-	-
	Raad Al Barakati (Under common directorship)	-Gross written premiums	3	3	-
-Claims incurred		-	13	-	-
Amal Bin Shiha (Under common directorship)	-Gross written premiums	-	-	-	-
Tumpane jubar (Under common directorship)	-Gross written premiums	7	-	-	-
	-Premiums receivable	-	-	5	1,013
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	5	1,013
	-Claims incurred	292	-	-	-

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**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

Related parties	Nature of transaction	Transactions for six month period ended		Balance receivable / (payable) as at	
		June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
		SAR'000			
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period	-	-	-	-
	-Reinsurance recoveries (Refer 9.a (iv))	279	15	-	-
	-Net balance due from at period / year end	-	-	16,546	16,267
	-Allowance for doubtful debts	-	-	(12,397)	(12,191)
	-Net balance due from at period / year end	-	-	4,149	4,076
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at period / year end	-	-	1,472	1,472
	-Allowance for doubtful debts	-	-	(1,472)	(1,472)
	-Net balance due from at period / year end (Refer 9.a (v))	-	-	-	-
Saudi Fransi Capital (Under common directorship)	-Investment portfolio	256,323		391,323	135,000
	-Claims incurred	-	(1,009)	-	-

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

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

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

**9. a (iv)** This represent reinsurance claims recoverable from Addison Bradley International. Most of the reinsurance claim recoveries in respect of run-off treaties for the underwriting years up to 2014 have been collected by the related party either directly or through a broker (refer note 9.c).

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



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**9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**9.b Compensation of key management personnel**

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the six month period ended June 30, 2020 and 2019:

**Six month period ended June 30, 2020 (Unaudited)**

	<b>BOD members (Non-Executive)</b>	<b>Top Executives including the CEO and CFO</b>
	<b>SAR 000'</b>	
Salaries and compensation	-	4,920
Allowances	156	-
Annual remuneration	1,790	-
End of service indemnities	-	255
	<b>1,946</b>	<b>5,175</b>

**Six month period ended June 30, 2019 (Unaudited)**

	<b>BOD members (Non-Executive)</b>	<b>Top Executives including the CEO and CFO</b>
	<b>SAR 000'</b>	
Salaries and compensation	-	4,260
Allowances	207	-
Annual remuneration	1,784	-
End of service indemnities	-	209
	<b>1,991</b>	<b>4,469</b>

**9.c** All reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC carried out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the company has booked full provision for this balance.

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**10 TECHNICAL RESERVES**

**a) Outstanding Claims and IBNR**

	<b>June 30, 2020</b>			<b>December 31, 2019</b>		
	<b>(Unaudited)</b>			<b>(Audited)</b>		
	<b>Gross</b>	<b>Re-insurance share</b>	<b>Net</b>	<b>Gross</b>	<b>Re-insurance share</b>	<b>Net</b>
	<b>SAR'000</b>			<b>SAR'000</b>		
Outstanding claims	<b>617,823</b>	<b>(400,427)</b>	<b>217,396</b>	466,610	(334,829)	131,781
Claims incurred but not reported	<b>634,286</b>	<b>(239,255)</b>	<b>395,031</b>	751,200	(222,617)	528,583
	<b>1,252,109</b>	<b>(639,682)</b>	<b>612,427</b>	1,217,810	(557,446)	660,364

**b) Other Technical Reserves**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SAR'000</b>	
Premium deficiency reserve	<b>47,591</b>	20,529
Others	<b>13,590</b>	14,894
Other reserves at end of the period	<b>61,181</b>	35,423

**c) Unearned Premiums**

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

	<b>For the period ended June 30, 2020</b>		
	<b>(Unaudited)</b>		
<b>SAR'000</b>	<b>Gross</b>	<b>Re-insurance</b>	<b>Net</b>
Balance at the beginning of the period	<b>985,437</b>	<b>(290,619)</b>	<b>694,818</b>
Premium written during the period	<b>1,511,913</b>	<b>(740,012)</b>	<b>771,901</b>
Premium earned during the period	<b>(1,323,167)</b>	<b>1,555,386</b>	<b>232,219</b>
Balance at the end of the period	<b>1,174,183</b>	<b>524,755</b>	<b>1,698,938</b>
	<b>For the year ended December 31, 2019</b>		
	<b>(Audited)</b>		
<b>SAR'000</b>	<b>Gross</b>	<b>Re-insurance</b>	<b>Net</b>
Balance at the beginning of the year	1,236,849	(282,901)	953,948
Premium written during the year	2,421,277	(628,510)	1,792,767
Premium earned during the year	(2,672,689)	620,792	(2,051,897)
Balance at the end of the year	985,437	(290,619)	694,818

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**11 INVESTMENT IN AN ASSOCIATE**

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 9,926 thousand (a 25% equity interest) (2019: SAR 9,393), in an unquoted company (the “associate”), registered in the Kingdom of Saudi Arabia.

	<b>SAR'000</b>	
	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
At the beginning of the period / year	<b>9,393</b>	9,872
Dividend received from investment in an associate	<b>(1,678)</b>	(4,896)
Income from investment in an associate	<b>2,211</b>	4,417
At the end of period / year	<b>9,926</b>	9,393

**12 AVAILABLE FOR SALE INVESTMENTS**

Investments are classified as set out below:

**a) Insurance Operations - Available for sale investments**

	<b>SAR'000</b>	
<b>SAR'000</b>	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Type of Investments		
-Mutual Fund	<b>10,362</b>	10,181
	<b>10,362</b>	10,181

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

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

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

	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
At the beginning of the period / year	<b>10,181</b>	25,000
Purchase during the period / year	-	10,000
Sold during the period / year	-	(25,000)
Net change in fair values	<b>181</b>	181
At the end of the period / year	<b>10,362</b>	10,181

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**12 AVAILABLE FOR SALE INVESTMENTS (Continued)**

**b) Shareholders' Operations - Available for sale investments**

	<b>SAR'000</b>	
	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Type of Investments		
-Equity	<b>148,279</b>	136,990
-Mutual Fund	<b>130,904</b>	80,983
-Sukuks	<b>253,771</b>	251,291
	<b>532,954</b>	469,264

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

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR (5,736) thousand (31 December 2019: SAR 21,922 thousand) is presented within shareholders' equity in the interim condensed statement of financial position.

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

	<b>SAR'000</b>	
	<b>June 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
At the beginning of the period	<b>469,264</b>	49,151
Purchase during the period	<b>81,211</b>	436,606
Sold during the period	<b>(11,785)</b>	(38,415)
Net change in fair values	<b>(5,736)</b>	21,922
At the end of the period	<b>532,954</b>	469,264

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**12 AVAILABLE FOR SALE INVESTMENTS (Continued)**

iii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statement. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

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

The unlisted security of SAR 1.92 million (31 December 2019: SAR 1.92 million) held as part of Company's shareholder operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the period ended 30 June 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

**Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

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

**1. Insurance operations – Fair Value**

<b>SAR'000s</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>June 30, 2020 (Unaudited)</b>				
<b>Available for sale investments</b>				
- Mutual Fund	10,362	-	-	10,362
<b>Total available for sale investments</b>	<b>10,362</b>	<b>-</b>	<b>-</b>	<b>10,362</b>

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**12 AVAILABLE FOR SALE INVESTMENTS (Continued)**

**iii. Fair value (Continued)**

**1. Insurance operations – Fair Value (Continued)**

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

**2. Shareholders' operations – Fair Value**

SAR'000s	Level 1	Level 2	Level 3	Total
June 30, 2020 (Unaudited)				
Available for sale investments				
- Mutual Fund	130,904	-	-	130,904
- Sukuk	-	253,771	-	253,771
- Equities	146,356	-	1,923	148,279
Total available for sale investments	277,260	253,771	1,923	532,954
SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2019 (Audited)				
Available for sale investments				
- Mutual Fund	80,983	-	-	80,983
- Sukuk	-	251,291	-	251,291
- Equities	135,067	-	1,923	136,990
Total available for sale investments	216,050	251,291	1,923	469,264

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**13 STATUTORY DEPOSIT AND ACCRUED COMMISSION**

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. During the year ended 2017, the Company in its extraordinary general meeting held on 22 September 2017 reduced the share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million. Thereafter, during the year 2018, the company increased its paid capital to SR 800 million by right issue shares. After the aforementioned amendments to the capital, the statutory deposit is currently maintained at 15% of the new paid up capital, SR 800 million, amounting to SR 120 million. The Statutory deposit is placed at the commission rate of 2.4% per anum ( 2019 : 2.4%).

**14 GOOD WILL**

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

During the year end December 31, 2019 the management carried out impairment testing by using Value-In-Use (VIU) assessment for the goodwill impairment based on a detailed five year business plan, in addition to the 'Share Price' and 'Market' approach on the trading activity of the Company's stock. This assessment was carried-out by a consultant appointed by the Company. As per the management's assessment, there is no indication of impairment.

**15 CAPITAL**

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

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

**16 STATUTORY RESERVES**

In accordance with its By-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution. Since there was accumulated deficit for the period ended 30 June 2020 and year ended 31 December 2019, no transfer was made to statutory reserve.

The Board resolved at 18 December 2019 to reduce statutory reserve amounting to SAR 120 million against the accumulated losses which had been approved in Annual General Assembly meeting held on 3 June 2020 and adjusted accordingly.

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**17 ZAKAT AND INCOME TAX**

**a) Income tax charge for the period / year**

There was no income tax in the period ended June 30, 2020 and year ended December 31, 2019 due to net adjusted losses incurred. All changes during the period represents zakat.

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

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

	<b>SAR '000</b>	
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>At the beginning of the period / year</b>	<b>13,188</b>	27,184
Charge - current period / year	<b>7,046</b>	14,091
Charge - prior period / year	-	-
Payments during the period / year	-	(28,087)
<b>At the end of the period / year</b>	<b>20,234</b>	<b>13,188</b>

The provision for zakat and income tax for the period is 7,046 thousand (30 June 2019: SR 5,292 thousand).

**c) Status of zakat and tax assessments**

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2018 with the General Authority of Zakat and Income Tax (GAZT). Further, the Company has filed two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and another one for assessment year 2013 to 2016. The management has made appropriate provisions in this financial statement based on the advice of the Company's zakat and tax consultant.

During the year ended 31 December 2019, the company has reach an agreement with GAZT regarding the two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and 2013 to 2016 and agreed on the amount to be paid of SR 115,555 thousand. The company has booked a provision of SR 131,346 thousand as per the zakat and tax consultant, thus, the amount of SR 15,791 thousand, which represent the difference between the provision amount and the agreed amount, was transfer to other income. During the year ended 31 December 2019, the company has successfully paid the full amount agreed.

**d) Deferred tax**

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

	<b>SAR '000</b>	
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>Opening deferred tax asset</b>	<b>11,962</b>	13,923
Origination or reversal of temporary differences	<b>(980)</b>	(1,961)
<b>Closing deferred tax asset</b>	<b>10,982</b>	<b>11,962</b>



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**18 SHARE CAPITAL AND EARNINGS PER SHARE**

**a) Share capital**

The authorized and paid up share capital of the Company was SAR 1,000 million divided into 100 million shares of SAR 10 each. The founding shareholders of the Company has subscribed and paid for 75 million shares (SAR 750 million) with a nominal value of SAR 10 each, which represented 75% of the shares of the Company and the remaining 25 million shares (SR 250 million) with a nominal value of SAR 10 each which represent 25% of the shares of the Company, was subscribed by the general public. The Share capital represented foreign shareholders by 45.5% and Saudi shareholders by 54.5% as at end of year 2016. The Company in its extra ordinary general meeting held on 22 September 2017 approved the reduction of share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million by reducing the number of shares from 100 million to 40 million shares of SR 10 each to comply with the requirements of the Regulations for Companies. This resulted in accumulated losses to decline below one half of Company's share capital. The reduction of capital was approved by the regulatory authorities. During 2017, the Company incurred transaction cost of SR 691 thousand in respect of reduction in share capital, which has been charged directly to the Statement of changes in Shareholders' Equity.

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

**b) Earnings per share**

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

	<b>For the three month period ended</b>	
	<b>SAR '000</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net income for the period	<b>22,986</b>	838
Weighted average number of ordinary shares	<b>80,000</b>	80,000
<b>Earnings per share</b>	<b>0.29</b>	0.01

	<b>For the six month period ended</b>	
	<b>SAR '000</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net income for the period	<b>27,220</b>	3,791
Weighted average number of ordinary shares	<b>80,000</b>	80,000
<b>Earnings per share</b>	<b>0.34</b>	0.05

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**19 ACCRUED COMMISSION ON STATUTORY DEPOSIT**

The interest on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 25,671 thousand (31 December 2019: SAR 23,864 thousand). This commission cannot be withdrawn without the consent of Saudi Arabian Monetary Authority ("SAMA").

**20 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

**21 COMMITMENTS AND CONTINGENCIES**

**a) Legal proceedings**

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

**b) Contingencies and capital commitments**

As at 30 June 2020, the Company's banker has issued letters of guarantee of SR 80,588 thousand (31 December 2019: SR 80,321 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 6). The Company had no capital commitments in 2020 (31 December 2019: nil).

**c) Contingent liability**

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

**22 SEGMENTAL INFORMATION**

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

Segment results do not include allocation of general and administrative expenses, allowance for doubtful debt, special commission income and other income to operating segments as these are reported and monitored on an overall basis.

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

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

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

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**As at June 30, 2020 (Unaudited)**

**22 Operating segments**

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<b>Assets</b>						
Reinsurers' share of unearned premiums	226,159	113,901	184,695	524,755	-	524,755
Reinsurers' share of outstanding claims	56,042	6,212	338,173	400,427	-	400,427
Reinsurers' share of claims Incurred but not reported	69,003	47,067	123,185	239,255	-	239,255
Deferred policy acquisition costs	35,474	11,783	22,640	69,897	-	69,897
Unallocated assets	-	-	-	1,430,224	1,340,920	2,771,144
<b>Total assets</b>	<b>386,678</b>	<b>178,963</b>	<b>668,693</b>	<b>2,664,558</b>	<b>1,340,920</b>	<b>4,005,478</b>
<b>Liabilities</b>						
Gross unearned premiums	716,928	242,023	215,232	1,174,183	-	1,174,183
Unearned reinsurance commission	52,152	29,137	15,446	96,735	-	96,735
Gross outstanding claims	237,711	8,550	371,562	617,823	-	617,823
Claims incurred but not reported	377,796	119,795	136,695	634,286	-	634,286
Premium deficiency reserves	35,787	10,188	1,616	47,591	-	47,591
Other technical reserves	2,483	2,959	8,148	13,590	-	13,590
Unallocated liabilities and insurance operations` surplus	-	-	-	646,532	46,918	693,450
<b>Total liabilities and insurance operations` surplus</b>	<b>1,422,857</b>	<b>412,652</b>	<b>748,699</b>	<b>3,230,740</b>	<b>46,918</b>	<b>3,277,658</b>

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

As at December 31, 2019 (Audited)

**22 Operating segments (Continued)**

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

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**For the three period ended June 30, 2020 (Unaudited)**

**22 Operating segments (Continued)**

Operating segments (Continued)	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<b><u>REVENUES</u></b>						
Gross premiums written						
-Direct	141,354	69,480	40,861	251,695	-	251,695
-Reinsurance	-	-	-	-	-	-
	141,354	69,480	40,861	251,695	-	251,695
Re-insurance premiums ceded						
-Local	-	-	(135)	(135)	-	(135)
-Abroad	(4,884)	(33,019)	(29,662)	(67,565)	-	(67,565)
	(4,884)	(33,019)	(29,797)	(67,700)	-	(67,700)
Excess of loss premiums	(9,467)	(987)	(3,496)	(13,950)		(13,950)
<b>Net premiums written</b>	<b>127,003</b>	<b>35,474</b>	<b>7,568</b>	<b>170,045</b>	<b>-</b>	<b>170,045</b>
Changes in unearned premiums, net	197,536	22,672	2,303	222,511	-	222,511
<b>Net premiums earned</b>	<b>324,539</b>	<b>58,146</b>	<b>9,871</b>	<b>392,556</b>	<b>-</b>	<b>392,556</b>
Re-insurance commission income	26,239	13,150	7,190	46,579	-	46,579
<b><u>TOTAL REVENUES</u></b>	<b>350,778</b>	<b>71,296</b>	<b>17,061</b>	<b>439,135</b>	<b>-</b>	<b>439,135</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>						
Gross claims paid	(454,806)	(39,751)	(14,540)	(509,097)	-	(509,097)
Expenses incurred related to claims	(3,858)	(3,875)	(168)	(7,901)	-	(7,901)
Hospital discount	18,601	-	-	18,601	-	18,601
Reinsurers' share of claims paid	88,396	18,360	14,523	121,279	-	121,279
<b>Net claims and other benefits paid</b>	<b>(351,667)</b>	<b>(25,266)</b>	<b>(185)</b>	<b>(377,118)</b>	<b>-</b>	<b>(377,118)</b>
Changes in outstanding claims, net	154,084	(4,475)	(4,700)	144,909	-	144,909
Changes in incurred but not reported claims, net	(10,741)	(1,453)	(2,472)	(14,666)	-	(14,666)
<b>Net claims and other benefits incurred</b>	<b>(208,324)</b>	<b>(31,194)</b>	<b>(7,357)</b>	<b>(246,875)</b>	<b>-</b>	<b>(246,875)</b>
Premium deficiency reserve	(25,615)	(8,765)	(1,535)	(35,915)	-	(35,915)
Other technical reserves	398	(259)	(328)	(189)	-	(189)
Policy acquisition costs	(25,154)	(4,825)	(4,211)	(34,190)	-	(34,190)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b>(258,695)</b>	<b>(45,043)</b>	<b>(13,431)</b>	<b>(317,169)</b>	<b>-</b>	<b>(317,169)</b>
<b>NET UNDERWRITING INCOME</b>	<b>92,083</b>	<b>26,253</b>	<b>3,630</b>	<b>121,966</b>	<b>-</b>	<b>121,966</b>
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>						
Provision for doubtful debts				(17,615)	-	(17,615)
General and administrative expenses				(90,361)	(1,472)	(91,833)
Special commission income				1,920	1,845	3,765
Income from investment in associate				-	2,211	2,211
Dividend income				-	2,410	2,410
Realized gain on available for sale investment				-	617	617
Other income				7,855	-	7,855
<b>Total Other Operating Expenses, net</b>				<b>(98,201)</b>	<b>5,611</b>	<b>(92,590)</b>
<b><u>Net income for the period before appropriation and before zakat and income tax</u></b>				<b>23,765</b>	<b>5,611</b>	<b>29,376</b>

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

For the three month period ended June 30, 2019 (Unaudited)

**22 Operating segments (Continued)**

Operating segments (Continued)	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	153,803	101,893	34,762	290,458	-	290,458
-Reinsurance	-	-	-	-	-	-
	153,803	101,893	34,762	290,458	-	290,458
Re-insurance premiums ceded						
-Local	-	-	(879)	(879)	-	(879)
-Abroad	183	(46,122)	(26,097)	(72,036)	-	(72,036)
	183	(46,122)	(26,976)	(72,915)	-	(72,915)
Excess of loss premiums	(8,800)	(1,460)	(1,796)	(12,056)	-	(12,056)
Net premiums written	145,186	54,311	5,990	205,487	-	205,487
Changes in unearned premiums, net	296,643	25,457	3,108	325,208	-	325,208
Net premiums earned	441,829	79,768	9,098	530,695	-	530,695
Re-insurance commission income	8,618	7,486	6,581	22,685	-	22,685
<u>TOTAL REVENUES</u>	450,447	87,254	15,679	553,380	-	553,380
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(351,905)	(79,340)	(10,472)	(441,717)	-	(441,717)
Expenses incurred related to claims	-	(7,434)	(1,094)	(8,528)	-	(8,528)
Hospital discount	21,299	-	-	21,299	-	21,299
Re-insurers' share of claims paid	23,830	21,261	10,625	55,716	-	55,716
Net claims and other benefits paid	(306,776)	(65,513)	(941)	(373,230)	-	(373,230)
Changes in outstanding claims, net	(54,100)	3,729	(864)	(51,235)	-	(51,235)
Changes in incurred but not reported claims, net	(28,059)	(10,797)	(592)	(39,448)	-	(39,448)
Net claims and other benefits incurred	(388,935)	(72,581)	(2,397)	(463,913)	-	(463,913)
Premium deficiency reserve	13,132	-	1,934	15,066	-	15,066
Other technical reserves	(397)	(377)	(495)	(1,269)	-	(1,269)
Policy acquisition costs	(27,421)	(5,486)	(2,967)	(35,874)	-	(35,874)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(403,621)	(78,444)	(3,925)	(485,990)	-	(485,990)
NET UNDERWRITING INCOME	46,826	8,810	11,754	67,390	-	67,390
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Reversal of doubtful debts				9,338	-	9,338
Legal case provision				(10,926)	-	(10,926)
General and administrative expenses				(88,461)	(1,931)	(90,392)
Special commission income				5,589	6,174	11,763
Other income				16,944	-	16,944
<u>Total Other Operating Expenses, net</u>				(67,516)	4,243	(63,273)
<u>Net income for the period before appropriation and before zakat and income tax</u>				(126)	4,243	4,117

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**For the six period ended June 30, 2020 (Unaudited)**

**22 Operating segments (Continued)**

	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<b><u>REVENUES</u></b>						
Gross premiums written						
-Direct	1,040,111	287,949	183,853	1,511,913	-	1,511,913
-Reinsurance	-	-	-	-	-	-
	1,040,111	287,949	183,853	1,511,913	-	1,511,913
Re-insurance premiums ceded						
-Local	-	-	(615)	(615)	-	(615)
-Abroad	(449,802)	(137,679)	(151,916)	(739,397)	-	(739,397)
	(449,802)	(137,679)	(152,531)	(740,012)	-	(740,012)
Excess of loss premiums	(19,288)	(1,974)	(6,991)	(28,253)		(28,253)
<b>Net premiums written</b>	<b>571,021</b>	<b>148,296</b>	<b>24,331</b>	<b>743,648</b>	<b>-</b>	<b>743,648</b>
Changes in unearned premiums, net	90,865	(38,781)	(6,693)	45,391	-	45,391
<b>Net premiums earned</b>	<b>661,886</b>	<b>109,515</b>	<b>17,638</b>	<b>789,039</b>	<b>-</b>	<b>789,039</b>
Re-insurance commission income	50,446	24,975	13,434	88,855	-	88,855
<b><u>TOTAL REVENUES</u></b>	<b>712,332</b>	<b>134,490</b>	<b>31,072</b>	<b>877,894</b>	<b>-</b>	<b>877,894</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>						
Gross claims paid	(702,728)	(107,857)	(38,526)	(849,111)	-	(849,111)
Expenses incurred related to claims	(3,858)	(8,837)	(946)	(13,641)	-	(13,641)
Hospital discount	39,800	-	-	39,800	-	39,800
Reinsurers' share of claims paid	116,785	48,439	37,680	202,904	-	202,904
<b>Net claims and other benefits paid</b>	<b>(550,001)</b>	<b>(68,255)</b>	<b>(1,792)</b>	<b>(620,048)</b>	<b>-</b>	<b>(620,048)</b>
Changes in outstanding claims, net	63,944	(145,348)	(4,210)	(85,614)	-	(85,614)
Changes in incurred but not reported claims, net	(2,365)	140,040	(4,122)	133,553	-	133,553
<b>Net claims and other benefits incurred</b>	<b>(488,422)</b>	<b>(73,563)</b>	<b>(10,124)</b>	<b>(572,109)</b>	<b>-</b>	<b>(572,109)</b>
Premium deficiency reserve	(20,195)	(7,950)	1,083	(27,062)	-	(27,062)
Other technical reserves	(25)	1,791	(463)	1,303	-	1,303
Policy acquisition costs	(35,515)	(9,651)	(11,022)	(56,188)	-	(56,188)
<b><u>TOTAL UNDERWRITING COSTS AND EXPENSES</u></b>	<b>(544,157)</b>	<b>(89,373)</b>	<b>(20,526)</b>	<b>(654,056)</b>	<b>-</b>	<b>(654,056)</b>
<b>NET UNDERWRITING INCOME</b>	<b>168,175</b>	<b>45,117</b>	<b>10,546</b>	<b>223,838</b>	<b>-</b>	<b>223,838</b>
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>						
Provision for doubtful debts				(24,615)	-	(24,615)
General and administrative expenses				(180,792)	(2,796)	(183,588)
Special commission income				3,741	5,186	8,927
Income from investment in associate				-	2,211	2,211
Dividend income				-	2,410	2,410
Realized gain on available for sale investment				-	617	617
Other income				8,515	-	8,515
<b>Total Other Operating Expenses, net</b>				<b>(193,151)</b>	<b>7,628</b>	<b>(185,523)</b>
<b><u>Net income for the period before appropriation and before zakat and income tax</u></b>				<b>30,687</b>	<b>7,628</b>	<b>38,315</b>

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
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**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

For the six month period ended June 30, 2019 (Unaudited)

**22 Operating segments (Continued)**

Operating segments (Continued)	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
	SAR'000					
<u>REVENUES</u>						
Gross premiums written						
-Direct	1,009,666	192,453	165,582	1,367,701	-	1,367,701
-Reinsurance	-	-	-	-	-	-
	1,009,666	192,453	165,582	1,367,701	-	1,367,701
Re-insurance premiums ceded						
-Local	-	-	(2,716)	(2,716)	-	(2,716)
-Abroad	(226,774)	(86,217)	(139,452)	(452,443)	-	(452,443)
	(226,774)	(86,217)	(142,168)	(455,159)	-	(455,159)
Excess of loss premiums	(17,300)	(3,590)	(3,108)	(23,998)	-	(23,998)
Net premiums written	765,592	102,646	20,306	888,544	-	888,544
Changes in unearned premiums, net	97,561	56,541	(3,222)	150,880	-	150,880
Net premiums earned	863,153	159,187	17,084	1,039,424	-	1,039,424
Re-insurance commission income	17,291	13,202	13,562	44,055	-	44,055
<u>TOTAL REVENUES</u>	880,444	172,389	30,646	1,083,479	-	1,083,479
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(662,549)	(164,615)	(63,577)	(890,741)	-	(890,741)
Expenses incurred related to claims	-	(11,230)	(2,355)	(13,585)	-	(13,585)
Hospital discount	42,296	-	-	42,296	-	42,296
Re-insurers' share of claims paid	27,351	41,923	62,429	131,703	-	131,703
Net claims and other benefits paid	(592,902)	(133,922)	(3,503)	(730,327)	-	(730,327)
Changes in outstanding claims, net	(109,339)	10,119	(2,094)	(101,314)	-	(101,314)
Changes in incurred but not reported claims, net	(59,865)	(15,641)	137	(75,369)	-	(75,369)
Net claims and other benefits incurred	(762,106)	(139,444)	(5,460)	(907,010)	-	(907,010)
Premium deficiency reserve	23,431	-	860	24,291	-	24,291
Other technical reserves	(2,672)	(608)	(1,978)	(5,258)	-	(5,258)
Policy acquisition costs	(38,529)	(11,598)	(7,008)	(57,135)	-	(57,135)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(779,876)	(151,650)	(13,586)	(945,112)	-	(945,112)
NET UNDERWRITING INCOME	100,568	20,739	17,060	138,367	-	138,367
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Reversal of doubtful debts				20,521	-	20,521
Legal case provision				(10,926)	-	(10,926)
General and administrative expenses				(171,212)	(3,848)	(175,060)
Special commission income				10,558	9,715	20,273
Other income				18,578	-	18,578
<u>Total Other Operating Expenses, net</u>				(132,481)	5,867	(126,614)
<u>Net income for the period before appropriation and before zakat and income tax</u>				5,886	5,867	11,753



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**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

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

**22 Operating segments (Continued)**

**Gross premiums written**

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	25,486	31,741	23,425	80,652
Medium enterprise	39,249	2,322	9,604	51,175
Small enterprise	36,014	2,959	6,524	45,497
Micro enterprise	29,978	904	1,067	31,949
Individual	10,627	31,554	241	42,422
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>141,354</b>	<b>69,480</b>	<b>40,861</b>	<b>251,695</b>

**For the three month period ended June 30, 2019 (Unaudited)**

**Operating segments**

**Gross premiums written**

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	50,996	40,311	(12,057)	79,250
Medium enterprise	43,756	1,146	(280)	44,622
Small enterprise	45,113	2,468	38,408	85,989
Micro enterprise	13,938	2,707	8,515	25,160
Individual	-	55,261	176	55,437
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>153,803</b>	<b>101,893</b>	<b>34,762</b>	<b>290,458</b>

**For the six month period ended June 30, 2020 (Unaudited)**

**Operating segments**

**Gross premiums written**

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	710,427	169,275	105,559	985,261
Medium enterprise	146,057	25,998	50,158	222,213
Small enterprise	99,718	6,897	20,367	126,982
Micro enterprise	67,770	2,394	6,369	76,533
Individual	16,139	83,385	1,400	100,924
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>1,040,111</b>	<b>287,949</b>	<b>183,853</b>	<b>1,511,913</b>

**For the six month period ended June 30, 2019 (Unaudited)**

**Operating segments**

**Gross premiums written**

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	786,022	49,300	73,639	908,961
Medium enterprise	88,579	5,109	30,254	123,942
Small enterprise	94,351	6,504	41,191	142,046
Micro enterprise	40,714	3,336	20,159	64,209
Individual	-	128,204	339	128,543
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>1,009,666</b>	<b>192,453</b>	<b>165,582</b>	<b>1,367,701</b>

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

	SAR '000					
	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	472,615	78,846	551,461	257,680	33,536	291,216
Short term deposits	157,021	43,830	200,851	91,835	175,049	266,884
Premium and reinsurers' receivable, net	622,163	-	622,163	572,215	-	572,215
Reinsurers' share of unearned premiums	524,755	-	524,755	290,619	-	290,619
Reinsurers' share of outstanding claims	400,427	-	400,427	334,829	-	334,829
Reinsurers' share of claims incurred but not reported	239,255	-	239,255	222,617	-	222,617
Deferred policy acquisition costs	69,897	-	69,897	67,196	-	67,196
Due from related parties, net	1,994	-	1,994	63	-	63
Due from / to shareholders` / insurance operation	561,385	(561,385)	-	606,999	(606,999)	-
Prepayment and other assets, net	120,618	8,711	129,329	250,571	3,270	253,841
Available for sale investments	10,362	532,954	543,316	10,181	469,264	479,445
Right of use assets, net	21,739	-	21,739	25,854	-	25,854
Property and equipment, net	18,410	30,000	48,410	16,170	30,000	46,170
Intangible assets, net	5,302	-	5,302	4,719	-	4,719
Deferred tax asset	-	10,982	10,982	-	11,962	11,962
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	9,926	9,926	-	9,393	9,393
Accrued commission on statutory deposit	-	25,671	25,671	-	23,864	23,864
Goodwill	-	480,000	480,000	-	480,000	480,000
<b>TOTAL ASSETS</b>	<b>3,225,943</b>	<b>779,535</b>	<b>4,005,478</b>	<b>2,751,548</b>	<b>749,339</b>	<b>3,500,887</b>

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

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION (Continued)**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)**

	SAR '000					
	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b><u>LIABILITIES</u></b>						
Accrued expenses and other liabilities	20,604	1,013	21,617	58,468	1,154	59,622
Accounts and commission payable	71,377	-	71,377	137,744	-	137,744
Lease liability	21,239	-	21,239	25,903	-	25,903
Reinsurers' balances payable	406,727	-	406,727	107,488	-	107,488
Gross unearned premiums	1,174,183	-	1,174,183	985,437	-	985,437
Unearned reinsurance commission	96,735	-	96,735	31,161	-	31,161
Gross outstanding claims	617,823	-	617,823	466,610	-	466,610
Claims incurred but not reported	634,286	-	634,286	751,200	-	751,200
Premium deficiency reserve	47,591	-	47,591	20,529	-	20,529
Other technical reserves	13,590	-	13,590	14,894	-	14,894
Due to a related party	198	-	198	17,080	-	17,080
End of service indemnities	19,333	-	19,333	27,451	-	27,451
Surplus distribution payable	107,054	-	107,054	112,561	-	112,561
Zakat & income tax	-	20,234	20,234	-	13,188	13,188
Accrued commission income payable to SAMA	-	25,671	25,671	-	23,864	23,864
<b><u>TOTAL LIABILITIES</u></b>	<b>3,230,740</b>	<b>46,918</b>	<b>3,277,658</b>	<b>2,756,526</b>	<b>38,206</b>	<b>2,794,732</b>
<b><u>INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u></b>						
Fair values reserve gain on investments	362	-	362	181	-	181
Re-measurement of defined benefit liability – employees benefits	(5,159)	-	(5,159)	(5,159)	-	(5,159)
<b><u>TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u></b>	<b>(4,797)</b>	<b>-</b>	<b>(4,797)</b>	<b>(4,978)</b>	<b>-</b>	<b>(4,978)</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>						
Share capital	-	800,000	800,000	-	800,000	800,000
Statutory reserve	-	26,135	26,135	-	146,135	146,135
Accumulated losses	-	(109,262)	(109,262)	-	(256,482)	(256,482)
Fair values reserve gain on investments	-	15,744	15,744	-	21,480	21,480
<b><u>TOTAL SHAREHOLDERS' EQUITY</u></b>	<b>-</b>	<b>732,617</b>	<b>732,617</b>	<b>-</b>	<b>711,133</b>	<b>711,133</b>
<b><u>TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY</u></b>	<b>3,225,943</b>	<b>779,535</b>	<b>4,005,478</b>	<b>2,751,548</b>	<b>749,339</b>	<b>3,500,887</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION (Continued)**

**INTERIM CONDENSED STATEMENT OF INCOME**

	SAR '000					
	For the three month period ended June 30					
	June 30, 2020 (Unaudited)			June 30, 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b><u>REVENUES</u></b>						
Gross premiums written						
-Direct	251,695	-	251,695	290,458	-	290,458
-Reinsurance	-	-	-	-	-	-
	251,695	-	251,695	290,458	-	290,458
Reinsurance premiums ceded						
-Local	(135)	-	(135)	(879)	-	(879)
-Abroad	(67,565)	-	(67,565)	(72,036)	-	(72,036)
	(67,700)	-	(67,700)	(72,915)	-	(72,915)
Excess of loss expenses – foreign	(13,950)	-	(13,950)	(12,056)	-	(12,056)
Net written premiums	170,045	-	170,045	205,487	-	205,487
Changes in unearned premiums, net	222,511	-	222,511	325,208	-	325,208
<b>Net premiums earned</b>	<b>392,556</b>	<b>-</b>	<b>392,556</b>	<b>530,695</b>	<b>-</b>	<b>530,695</b>
Re-insurance commissions	46,579	-	46,579	22,685	-	22,685
<b>TOTAL REVENUES</b>	<b>439,135</b>	<b>-</b>	<b>439,135</b>	<b>553,380</b>	<b>-</b>	<b>553,380</b>
<b><u>UNDERWRITING COSTS AND EXPENSES</u></b>						
Gross claims paid	(509,097)	-	(509,097)	(441,717)	-	(441,717)
Expenses incurred related to claims	(7,901)	-	(7,901)	(8,528)	-	(8,528)
Hospital discount	18,601	-	18,601	21,299	-	21,299
Reinsurers' share of claims paid	121,279	-	121,279	55,716	-	55,716
<b>Net claims and other benefits paid</b>	<b>(377,118)</b>	<b>-</b>	<b>(377,118)</b>	<b>(373,230)</b>	<b>-</b>	<b>(373,230)</b>
Changes in outstanding claims, net	144,909	-	144,909	(51,235)	-	(51,235)
Changes in incurred but not reported claims, net	(14,666)	-	(14,666)	(39,448)	-	(39,448)
<b>Net claims and other benefits incurred</b>	<b>(246,875)</b>	<b>-</b>	<b>(246,875)</b>	<b>(463,913)</b>	<b>-</b>	<b>(463,913)</b>
Additional premium deficiency reserve	(35,915)	-	(35,915)	15,066	-	15,066
Other technical reserves	(189)	-	(189)	(1,269)	-	(1,269)
Policy acquisition costs	(34,190)	-	(34,190)	(35,874)	-	(35,874)
<b>TOTAL UNDERWRITING COSTS AND</b>	<b>(317,169)</b>	<b>-</b>	<b>(317,169)</b>	<b>(485,990)</b>	<b>-</b>	<b>(485,990)</b>
<b>NET UNDERWRITING INCOME/ (LOSS)</b>	<b>121,966</b>	<b>-</b>	<b>121,966</b>	<b>67,390</b>	<b>-</b>	<b>67,390</b>
<b><u>OTHER OPERATING (EXPENSES)/ INCOME</u></b>						
(Allowance for) / reversal of doubtful debts	(17,615)	-	(17,615)	9,338	-	9,338
Legal case provision	-	-	-	(10,926)	-	(10,926)
General and administrative expenses	(90,361)	(1,472)	(91,833)	(88,461)	(1,931)	(90,392)
Special commission income	1,920	1,845	3,765	5,589	6,174	11,763
Income from investment in associate	-	2,211	2,211	-	-	-
Dividend income	-	2,410	2,410	-	-	-
Realized gain on available for sale investment	-	617	617	-	-	-
Other income	7,855	-	7,855	16,944	-	16,944
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	<b>(98,201)</b>	<b>5,611</b>	<b>(92,590)</b>	<b>(67,516)</b>	<b>4,243</b>	<b>(63,273)</b>
<b><u>NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u></b>	<b>23,765</b>	<b>5,611</b>	<b>29,376</b>	<b>(126)</b>	<b>4,243</b>	<b>4,117</b>
Shareholders' appropriation from surplus / deficit	(21,389)	21,389	-	126	(126)	-
<b><u>NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u></b>	<b>2,376</b>	<b>27,000</b>	<b>29,376</b>	<b>-</b>	<b>4,117</b>	<b>4,117</b>
Zakat and income tax						
Current zakat and income tax	-	(3,523)	(3,523)	-	(2,239)	(2,239)
Deferred tax	-	(491)	(491)	-	(1,040)	(1,040)
<b>Net income for the period</b>	<b>2,376</b>	<b>22,986</b>	<b>25,362</b>	<b>-</b>	<b>838</b>	<b>838</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION (Continued)**

**INTERIM CONDENSED STATEMENT OF INCOME**

	SAR '000					
	For the six month period ended June 30					
	June 30, 2020 (Unaudited)			June 30, 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<b>REVENUES</b>						
Gross premiums written						
-Direct	1,511,913	-	1,511,913	1,367,701	-	1,367,701
-Reinsurance	-	-	-	-	-	-
	1,511,913	-	1,511,913	1,367,701	-	1,367,701
Reinsurance premiums ceded						
-Local	(615)	-	(615)	(2,716)	-	(2,716)
-Abroad	(739,397)	-	(739,397)	(452,443)	-	(452,443)
	(740,012)	-	(740,012)	(455,159)	-	(455,159)
Excess of loss expenses – foreign	(28,253)	-	(28,253)	(23,998)	-	(23,998)
Net written premiums	743,648	-	743,648	888,544	-	888,544
Changes in unearned premiums, net	45,391	-	45,391	150,880	-	150,880
<b>Net premiums earned</b>	789,039	-	789,039	1,039,424	-	1,039,424
Re-insurance commissions	88,855	-	88,855	44,055	-	44,055
<b>TOTAL REVENUES</b>	877,894	-	877,894	1,083,479	-	1,083,479
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(849,111)	-	(849,111)	(890,741)	-	(890,741)
Expenses incurred related to claims	(13,641)	-	(13,641)	(13,585)	-	(13,585)
Hospital discount	39,800	-	39,800	42,296	-	42,296
Reinsurers' share of claims paid	202,904	-	202,904	131,703	-	131,703
<b>Net claims and other benefits paid</b>	(620,048)	-	(620,048)	(730,327)	-	(730,327)
Changes in outstanding claims, net	(85,614)	-	(85,614)	(101,314)	-	(101,314)
Changes in incurred but not reported claims, net	133,553	-	133,553	(75,369)	-	(75,369)
<b>Net claims and other benefits incurred</b>	(572,109)	-	(572,109)	(907,010)	-	(907,010)
Additional premium deficiency reserve	(27,062)	-	(27,062)	24,291	-	24,291
Other technical reserves	1,303	-	1,303	(5,258)	-	(5,258)
Policy acquisition costs	(56,188)	-	(56,188)	(57,135)	-	(57,135)
<b>TOTAL UNDERWRITING COSTS AND</b>	(654,056)	-	(654,056)	(945,112)	-	(945,112)
<b>NET UNDERWRITING INCOME/ (LOSS)</b>	223,838	-	223,838	138,367	-	138,367
<b>OTHER OPERATING (EXPENSES)/ INCOME</b>						
(Allowance for) / reversal of doubtful debts	(24,615)	-	(24,615)	20,521	-	20,521
Legal case provision	-	-	-	(10,926)	-	(10,926)
General and administrative expenses	(180,792)	(2,796)	(183,588)	(171,212)	(3,848)	(175,060)
Special commission income	3,741	5,186	8,927	10,558	9,715	20,273
Income from investment in associate	-	2,211	2,211	-	-	-
Dividend income	-	2,410	2,410	-	-	-
Realized gain on available for sale investment	-	617	617	-	-	-
Other income	8,515	-	8,515	18,578	-	18,578
<b>TOTAL OTHER OPERATING (EXPENSES)/ INCOME</b>	(193,151)	7,628	(185,523)	(132,481)	5,867	(126,614)
<b>NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>	30,687	7,628	38,315	5,886	5,867	11,753
Shareholders' appropriation from surplus	(27,618)	27,618	-	(5,297)	5,297	-
<b>NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</b>	3,069	35,246	38,315	589	11,164	11,753
Zakat and income tax						
Current zakat and income tax	-	(7,046)	(7,046)	-	(5,292)	(5,292)
Deferred tax	-	(980)	(980)	-	(2,081)	(2,081)
<b>Net income for the period</b>	3,069	27,220	30,289	589	3,791	4,380

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION (Continued)**

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	For the three month period ended June 30 (Unaudited)					
	SAR '000					
	2020	2019				
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income for the period	2,376	22,986	25,362	-	838	838
Other comprehensive income						
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	111	12,590	12,701	-	3,190	3,190
<b><u>TOTAL COMPREHENSIVE INCOME</u></b>	<b>2,487</b>	<b>35,576</b>	<b>38,063</b>	<b>-</b>	<b>4,028</b>	<b>4,028</b>
<b><u>Reconciliation:</u></b>						
<b><u>Less:</u></b> Net income attributable to insurance operations and transferred to surplus distribution payable.			(2,376)			-
<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>			<b>35,687</b>			<b>4,028</b>

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION (Continued)**

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	For the six month period ended June 30 (Unaudited)					
	SAR '000					
	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income for the period	3,069	27,220	30,289	589	3,791	4,380
Other comprehensive income / (loss)						
Items that are or may be reclassified to statement of income in subsequent periods						
Available for sale investments						
- Net change in fair values	181	(5,736)	(5,555)	-	4,958	4,958
<b><u>TOTAL COMPREHENSIVE INCOME</u></b>	<b>3,250</b>	<b>21,484</b>	<b>24,734</b>	<b>589</b>	<b>8,749</b>	<b>9,338</b>
<b><u>Reconciliation:</u></b>						
<b><u>Less: Net income attributable to insurance operations and transferred to surplus distribution payable.</u></b>			(3,069)			(589)
<b><u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u></b>			<b>21,665</b>			<b>8,749</b>

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

**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**23 SUPPLEMENTARY INFORMATION (Continued)**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

	SAR '000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	For the six month period ended June 30, 2020			For the six month period ended June 30, 2019		
	Unaudited			Unaudited		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income for the period before zakat and income tax	3,069	35,246	38,315	589	11,164	11,753
Adjustments for non-cash items:						
Depreciation and amortization	4,695	-	4,695	220	-	220
Allowance for / (Reversal of) doubtful debts	24,615	-	24,615	(20,521)	-	(20,521)
Special commission income	(3,741)	(5,186)	(8,927)	(10,558)	(9,715)	(20,273)
Income from investment in associate	-	(2,211)	(2,211)	-	-	-
Realized gain on available for sale investment	-	(617)	(617)	-	-	-
Provision for end of service indemnities	(2,424)	-	(2,424)	-	-	-
	26,214	27,232	53,446	(30,270)	1,449	(28,821)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(74,563)	-	(74,563)	150,161	-	150,161
Reinsurers' share of unearned premiums	(234,136)	-	(234,136)	(161,984)	-	(161,984)
Reinsurers' share of outstanding claims	(65,599)	-	(65,599)	(28,493)	-	(28,493)
Reinsurers' share of claims Incurred but not reported	(16,638)	-	(16,638)	(76,999)	-	(76,999)
Deferred policy acquisition costs	(2,701)	-	(2,701)	15,893	-	15,893
Prepayment and other assets	129,953	(5,441)	124,512	(154,930)	(165)	(155,095)
Deposit against letter of guarantee	(267)	-	(267)	(9,277)	-	(9,277)
Right of use assets	4,115	-	4,115	(26,494)	-	(26,494)
Accounts and commission payable	(66,367)	-	(66,367)	(24,177)	-	(24,177)
Accrued expenses and other liabilities	(37,864)	(141)	(38,005)	23,354	(1,865)	21,489
Lease liability	(4,664)	-	(4,664)	24,496	-	24,496
Reinsurers' balances payable	299,239	-	299,239	213,996	-	213,996
Gross unearned premiums	188,746	-	188,746	11,104	-	11,104
Unearned reinsurance commission	65,574	-	65,574	30,314	-	30,314
Gross outstanding claims	151,213	-	151,213	129,807	-	129,807
Claims incurred but not reported	(116,914)	-	(116,914)	152,368	-	152,368
Premium deficiency reserves	27,062	-	27,062	(24,291)	-	(24,291)
Other technical reserves	(1,304)	-	(1,304)	5,258	-	5,258
Due from related party	(1,931)	-	(1,931)	-	-	-
Due to related party	(16,882)	-	(16,882)	(5,289)	-	(5,289)
	252,286	21,650	273,936	214,547	(581)	213,966
Surplus paid to policyholders	(8,575)	-	(8,575)	-	-	-
Payment of employees end of service indemnities	(5,694)	-	(5,694)	(6,927)	-	(6,927)
Zakat and income tax paid	-	-	-	-	(28,020)	(28,020)
<b>Net cash from / (used in) operating activities</b>	<b>238,017</b>	<b>21,650</b>	<b>259,667</b>	<b>207,620</b>	<b>(28,601)</b>	<b>179,019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Dividend from investment in an associate	-	1,678	1,678	-	4,897	4,897
Changes in investment in an associate	-	(2,211)	(2,211)	-	(2,683)	(2,683)
Interest on statutory deposit	-	1,807	1,807	-	2,365	2,365
Interest payable on statutory deposit	-	(1,807)	(1,807)	-	(2,365)	(2,365)
(Purchase) / disposal of available for sale investments	-	(69,426)	(69,426)	25,000	(233,736)	(208,736)
Special commission income	3,741	8,014	11,755	10,558	9,715	20,273
(Placements) / proceeds in / from short term deposits	(65,186)	131,218	66,032	(138,865)	(161,800)	(300,665)
(Additions) / disposal in property, equipment and intangible	(7,518)	-	(7,518)	2,902	-	2,902
<b>Net cash (used in) / generated from investing activities</b>	<b>(68,963)</b>	<b>69,273</b>	<b>310</b>	<b>(100,405)</b>	<b>(383,607)</b>	<b>(484,012)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Due to / (from) shareholders operation	45,614	(45,614)	-	(63,914)	63,914	-
<b>Net cash generated / (used in) from financing activities</b>	<b>45,614</b>	<b>(45,614)</b>	<b>-</b>	<b>(63,914)</b>	<b>63,914</b>	<b>-</b>
Net change in cash and cash equivalents	214,668	45,309	259,977	43,301	(348,294)	(304,993)
Cash and cash equivalents, beginning of the period	177,359	33,537	210,896	647,289	410,183	1,057,472
<b>Cash and cash equivalents, end of the period</b>	<b>392,027</b>	<b>78,846</b>	<b>470,873</b>	<b>690,590</b>	<b>61,889</b>	<b>752,479</b>



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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2020**

**24 COMPARATIVE FIGURES**

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

**25 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Board of Directors of the Company on 23 Dhul Hijjah 1441H, corresponding to 13 August 2020G.