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

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

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2018**

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

Unaudited Interim Condensed Financial Information and Independent Auditors' Review Report
For the three month period ended 31 March 2018

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (a Saudi Joint Stock Company) (the "Company") as at 31 March 2018 and the related interim condensed statements of income and comprehensive income, changes in equity and cash flows for the three month 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 modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

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

BASIS FOR QUALIFIED CONCLUSION

- 1) As disclosed in note 11 to the accompanying interim condensed financial information, all reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 7 amounting to Saudi Riyals 109.2 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions. Accordingly, management is currently unable to provide a complete list of all related parties balances and transactions which impacts both the presentation and disclosure of related party balances and transactions. Consequently, we were unable to determine whether any adjustments to the presentation and disclosure of the related party balances and transactions were necessary in the accompanying interim condensed financial information.
- 2) As disclosed in note 3, the Company is accounting for its reinsurance transactions related to the general line of business based on their understanding of the contractual terms of the reinsurance agreements. However, such accounting of reinsurance transactions may be subject to different interpretations. As a result, the Company's interim condensed financial information may require adjustments, if the terms of reinsurance agreements are interpreted differently. Management is still securing clarity on the terms of the reinsurance agreements. In the absence of information in this regard, we were unable to determine whether adjustments would be required in the accompanying interim condensed financial information.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

EMPHASIS OF MATTER

Without further qualifying our conclusion, we draw attention to note 1 and note 18 to the accompanying interim condensed financial information, which details various communications from SAMA to the Company. The Company did not meet the solvency margin requirements as at 31 December 2017 and 31 March 2018. The deficiency in solvency margin along with other matters as set forth in note 1 and note 18 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

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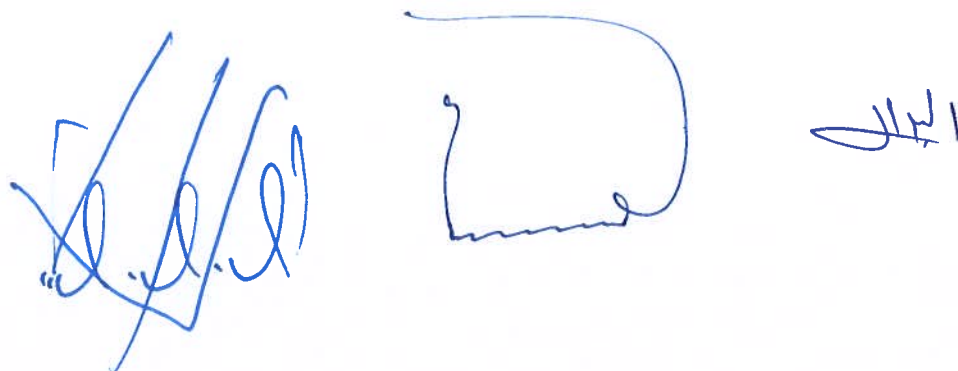
Sha'aban 24, 1439H
May 10, 2018



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

		SAR 000's	
	Note	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Assets			
Cash and bank balances	5	121,994	383,525
Short term deposits	6	390,000	471,250
Premium and reinsurers' receivable - net	7	670,260	659,105
Reinsurers' share of unearned premiums	9b	393,159	464,063
Reinsurers' share of outstanding claims	9a	464,412	366,647
Reinsurers' share of claims incurred but not reported	9a	131,300	114,493
Deferred policy acquisition costs		73,087	85,065
Due from related parties	11	63	63
Prepaid expenses and other assets		250,213	238,077
Available for sale investments	8	153,346	153,376
Property and equipment, net		22,409	23,211
Land		30,000	30,000
Intangible assets, net		3,094	3,319
Statutory deposit	12	150,000	150,000
Investment in an associate	10	9,341	9,341
Accrued commission on statutory deposit		15,546	15,546
Goodwill		480,000	480,000
<u>TOTAL ASSETS</u>		3,358,224	3,647,081



Handwritten signatures and stamps in blue ink, likely representing the approval of the financial statements by the management and the board of directors.

The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

		SAR 000's	
	Note	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Liabilities			
Accrued and other liabilities		132,960	152,892
Accounts and commission payable		119,525	121,768
Reinsurers' balances payable		53,976	135,761
Gross unearned premiums	9b	1,199,401	1,405,228
Unearned reinsurance commission		29,798	35,206
Gross outstanding claims	9a	582,557	499,938
Claims incurred but not reported	9a	575,631	594,499
Premium deficiency reserve	9a	13,430	15,700
Other technical reserves	9a	11,535	10,596
Due to a related party	11	688	3,886
Employees end of service benefits		13,474	20,887
Surplus distribution payable		111,566	111,566
Zakat and income tax	19	24,705	25,022
Accrued commission income payable to SAMA		15,546	15,546
Total Liabilities		2,884,792	3,148,495
Insurance Operations' Surplus			
Cumulative change in fair values of available for sale investments	8	338	327
Re-measurement of defined benefit liability – employees benefits		(302)	(302)
TOTAL INSURANCE OPERATIONS' SURPLUS		36	25
Shareholders' Equity			
Share capital	15	400,000	400,000
Statutory reserve	17	146,135	146,135
Accumulated losses		(78,126)	(53,002)
Fair values gain on investments	8	5,387	5,428
TOTAL SHAREHOLDERS' EQUITY		473,396	498,561
<u>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</u>		3,358,224	3,647,081

Commitments and Contingencies

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The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF INCOME

	SAR 000's	
	For the three month period ended	
	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Note		
Revenues		
Gross premiums written		
-Direct	412,105	781,906
-Reinsurance	1,511	2,108
	413,616	784,014
Reinsurance premiums ceded		
-Local	(866)	(1,800)
-Abroad	(59,836)	(91,653)
	(60,702)	(93,453)
Excess of loss premiums	(4,166)	(3,349)
Net Premiums Written	348,748	687,212
Changes in unearned premiums, net	134,923	(71,666)
Net Premiums Earned	483,671	615,546
Reinsurance commission income	15,993	24,326
Total Revenues	499,664	639,872
Underwriting Costs and Expenses		
Gross claims paid	(535,197)	(639,239)
Expenses incurred related to claims	(17,775)	(23,284)
Reinsurers' share of claims paid	59,781	68,743
Net claims and other benefits paid	(493,191)	(593,780)
Changes in outstanding claims, net	15,146	(1,765)
Changes in IBNR, net	35,675	21,729
Net claims and other benefits incurred	(442,370)	(573,816)
Premium deficiency reserve	-	7,019
Other technical reserves	1,331	-
Policy acquisition costs	(36,948)	(38,951)
Total Underwriting Costs and Expenses	(477,987)	(605,748)
NET UNDERWRITING INCOME	21,677	34,124
Other Operating (Expenses)/Income		
Allowance for doubtful debts	7 36	(74,500)
General and administrative expenses	(60,273)	(71,983)
Special commission income	3,764	5,910
Other income	11,524	13,478
Total Other Operating Expenses	(44,949)	(127,095)
Net loss for the period	(23,272)	(92,971)
Net loss attributed to the insurance operations	-	-
Net loss for the period attributable to the shareholders	(23,272)	(92,971)
Earnings per share		
Basic EPS	(0.58)	(2.32)

The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME


Note	SAR 000's	
	For the three month period ended	
	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Net loss for the period	(23,272)	(92,971)
Other comprehensive loss:		
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>		
<u>Available for sale investments</u>		
- Net change in fair values	8 (30)	(554)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(23,302)	(93,525)
Total comprehensive income attributed to the insurance operations	(11)	(17)
Total comprehensive loss for the period attributable to the shareholders	(23,313)	(93,542)

The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

SAR 000's					
Note	Share capital	Statutory reserve	Accumulated losses	Fair values gain on investments	Total
Balance at 1 January 2018 (Audited)	400,000	146,135	(53,002)	5,428	498,561
Total comprehensive loss for the period:					
Net loss for the period	-	-	(23,272)	-	(23,272)
Change in fair values	-	-	(23,272)	(41)	(23,313)
Zakat	-	-	(1,852)	-	(1,852)
Balance at 31 March 2018 (Unaudited)	400,000	146,135	(78,126)	5,387	473,396
Balance at 1 January 2017 (Audited) as previously reported	1,000,000	146,135	(199,101)	5,486	952,520
Effect of restatement	-	-	(33,070)	-	(33,070)
Balance at 1 January 2017 (Audited) as restated	1,000,000	146,135	(232,171)	5,486	919,450
Total comprehensive loss for the period:					
Net loss for the period	-	-	(92,971)	-	(92,971)
Change in fair values	-	-	-	(571)	(571)
Zakat	-	-	(92,971)	(571)	(93,542)
	-	-	(1,889)	-	(1,889)
Balance at 31 March 2017 (Unaudited) - restated	1,000,000	146,135	(327,031)	4,915	824,019




The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

Note	SAR 000's	
	For the three month period ended	
	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(23,272)	(92,971)
Adjustments for non-cash items:		
Depreciation of property and equipment	2,468	2,309
Gain on disposal of property and equipment	-	(5)
Allowance for doubtful debts	(36)	74,500
Special commission income	(3,764)	(5,910)
Provision for employees end of service benefits	(5,566)	-
	(30,170)	(22,077)
<u>Changes in operating assets and liabilities:</u>		
Premiums and reinsurers' receivable	(11,119)	(37,753)
Reinsurers' share of unearned premiums	70,904	43,912
Reinsurers' share of outstanding claims	(97,765)	(97,106)
Reinsurers' share of claims Incurred but not reported	(16,807)	-
Deferred policy acquisition costs	11,978	(12,851)
Due from related parties	-	(325)
Prepaid expenses and other assets	(12,136)	(76,968)
Accounts and commission payable	(2,243)	41,504
Accrued and other liabilities	(19,932)	(32,573)
Reinsurers' balances payable	(81,785)	(3,231)
Gross unearned premiums	(205,827)	27,754
Unearned reinsurance commission	(5,408)	(8,485)
Gross outstanding claims	82,619	77,142
Claims incurred but not reported	(18,868)	-
Premium deficiency reserves	(2,270)	(7,019)
Other technical reserves	939	-
Due to a related party	(3,198)	1,771
Deposit against letter of guarantee	3,754	771
	(337,334)	(105,534)
Payment of employees end of service benefits	(1,847)	-
Zakat and income tax paid	(2,169)	-
Net cash used in operating activities	(341,350)	(105,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	3,000
Special commission income	3,764	5,910
Proceeds from short term deposits	81,250	123,149
Additions in property and equipment	(1,441)	(1,717)
Net cash generated from investing activities	83,573	130,342
Net change in cash and cash equivalents	(257,777)	24,808
Cash and cash equivalents, beginning of the period	5 353,960	672,288
Cash and cash equivalents, end of the period	5 96,183	697,096
NON-CASH INFORMATION		
Change in fair value of available for sale investments	(30)	(554)

The accompanying notes 1 to 22 form an integral part of these interim condensed financial information.

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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 to absorb the accumulated losses in order to comply with the requirements of the Regulations for Companies. This resulted in the accumulated losses to decline below one-half of the Company's share capital as at 30 September 2017. The reduction of capital has been approved by the regulatory authorities.

As indicated in Note 18, due to the continuous decline in the financial performance of the Company, the Company did not meet the solvency margin requirements as at 31 December 2017 and consequently SAMA issued a letter number 391000054425 dated 29 January 2018, preventing the Company from writing any new policies and renewing the existing policies. SAMA in its aforesaid letter also instructed the Company to increase its share capital before 30 July 2018 to address the issue of its deteriorating solvency margin. The Company's Board of Directors in their meeting held on 6 February 2018, recommended a rights issue amounting to SAR 400 million in order to improve the solvency margin and the Company's future business activities. Such rights issue is subject to approval of the regulatory authorities and general assembly of the Company. Subsequent to the period ended 31 March 2018, 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. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

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

During the year ended 31 December 2016, SAMA issued a letter to the Company that highlighted certain weaknesses in claims processing including non-compliance with legal limits for settling claims and required the submission of a detailed report regarding the corrective actions taken or to be taken by the management. SAMA also prohibited the Company from issuing any new motor insurance policies with effect from 29 November 2016. The Company was however allowed to add vehicles to existing insurance policies and renew insurance policies issued prior to 29 November 2016. On 22 January 2017, SAMA issued another letter that highlighted certain additional matters related to claims including ineffectiveness of system used to handle and process claims and certain actions that needed to be taken by the Company. SAMA also instructed the Company to take serious actions and to provide a detailed plan with procedures and timeframes approved by the Company's board of directors to address the current situation. The detailed plan was submitted to SAMA after approval by the Company's Board of Directors. On 2 March 2017, SAMA permitted the Company to issue new motor insurance policies effective 5 March 2017 and instructed the Company to submit a monthly report for the actions taken in regard to the improvement of the current information technology system and the migration process from old information technology system to the new system. The Company has signed up for new ERP system, the update of which has been provided to SAMA. Accordingly, the Company has impaired its ERP system during the year ended 31 December 2017.

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

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

2. BASIS OF PREPARATION

(a) Basis of presentation

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

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

Statement of compliance

The interim condensed financial information of the Company ("Company") has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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

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 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' deficit for the three month period ended 31 March 2018 amounted to SR 22,911 thousand (31 March 2017: deficit of SR 93,571 thousand). Accordingly, full deficit amounting to SR 22,911 thousand for the period ended 31 March 2018 (31 March 2017: SR 93,571 thousand) has been transferred to shareholders' operations.

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

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

The accompanying interim condensed financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as of and for the period ended 31 December 2017.

In management's opinion, the interim condensed financial information reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The interim results may not be indicative of the Company's annual results.

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

2. BASIS OF PREPARATION (Continued)

(b) Critical accounting judgments, estimates and assumption

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

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

In preparing this condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial information as at and for the year ended 31 December 2017.

(c) Seasonality of operation

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

(ii) Premium deficiency reserve

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iii) Impairment losses on receivables

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

iv) Goodwill

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

v) Reinsurance

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

4. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT

The accounting policies and risk management policy used in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except as explained below:

IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the Company in relation to its contracts with customers.

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2018 in equity. The impact on opening retained earnings and other account balances as at 1 January 2018 is not significant and therefore adjustments have been reflected in the current period.

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.

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

4. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. 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 2021, 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.

RESTATEMENT

Effect of error

During the year ended 31 December 2017, the Company restated its retained earnings as at 1 January 2016 and comparative financial statements as of 31 December 2016 as a result of erroneous recording in prior year of transaction amounted to SR 33,070 thousand relating to medical reinsurance treaty managed by Medgulf BSC Bahrain (major shareholder) on behalf of the Company. The restated amount was part of receivable from Medgulf BSC Bahrain and was confirmed by Medgulf BSC Bahrain in earlier years without any differences. Subsequently, as a result of reconciliation of medical reinsurance treaty, an error pertaining to prior year was identified which was ultimately accepted by Medgulf BSC Bahrain and the Company. Also, there are certain amounts reclassified from the previously reported numbers as at 31 December 2016 to conform with the presentation as at 31 December 2017. The reclassifications mainly related to inclusion of TPA, SAMA and CCHI fees in prepayment and other assets and intangible assets which were previously presented in deferred policy acquisition costs and property and equipment respectively in the interim statement of financial position. These changes were made for better presentation of balances in the interim statement of financial position of the Company. Accordingly the above said restatement and reclassifications also have an impact on the previously issued interim condensed financial information for the three month period ended 31 March 2017.

The restatement and reclassifications does not have impact on interim condensed statements of financial position, income, comprehensive income and cash flows for the period ended 31 March 2018.

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

5. CASH AND BANK BALANCES

	SAR'000	
	Insurance operations	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Bank balances and cash	30,584	97,035
Deposits maturing within 3 months from the acquisition date	61,807	251,749
Cash and cash equivalent on the statement of cash flows	92,391	348,784
Deposit against letter of guarantee	25,811	29,565
	118,202	378,349

	SAR'000	
	Shareholders' operations	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Bank balances and cash	3,792	5,176
Deposits maturing within 3 months from the acquisition date	-	-
	3,792	5,176
Cash and cash equivalent on the statement of cash flows	96,183	353,960
Cash and bank balances	121,994	383,525

Cash at banks and short-term time deposits maturing within 3 months 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.

These time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 1.6% per annum (2017: 1.7% per annum). The carrying amounts disclosed above reasonably approximate the fair value at the interim statement of financial position date.

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

6. SHORT TERM DEPOSITS

Short term deposits are placed with counterparties that have credit ratings of at least equivalent to A- to BB+ 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 2.2% per annum (31 December 2017: 2.14% per annum).

The carrying amounts of the short term deposits reasonably approximate the fair value at the interim statement of financial position date.

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

7. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	SAR'000	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Premiums receivables	891,801	868,978
Less: Allowance for doubtful debts	(299,553)	(290,942)
	592,248	578,036
Reinsurers' receivable	279,991	302,568
Less: Allowance for doubtful debts	(201,979)	(221,499)
	78,012	81,069
Premiums and reinsurers' receivable – net	670,260	659,105

As at 31 March 2018, the movement for provision for doubtful debts of premiums and reinsurers' receivable was as follows:

	SAR'000	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Balance at the beginning of the period	512,441	219,571
(Reversal) / Provision for the period / year	(36)	292,870
Write off during the period	(10,873)*	-
Ending balance	501,532	512,441

*During the period ended 31 March 2018, the company has written off against the previously provided amount of SR 10.8 million related to final settlement of reinsurance balance.

As disclosed in note 11, the Company, together with Group Corporate Reinsurance Center ("CRC"), have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included above in reinsurance balances receivable amounting to Saudi Riyals 109.2 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties in note 11.

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are classified as set out below:

	SAR'000	
	Insurance operations	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Mutual funds	3,369	3,358
Sukuk	25,000	25,000
	28,369	28,358

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

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

	SAR'000	
	Shareholders' operations	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Mutual funds	55,679	55,524
Bonds	47,375	47,571
Sukuk	20,000	20,000
Equities	1,923	1,923
	124,977	125,018
Total	153,346	153,376

Movement in available for sale investments balance is as follows:

	SAR'000	
	Insurance operations	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
At the beginning of the period / year	28,358	28,308
Net change in fair values	11	50
At the end of the period / year	28,369	28,358

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 338 thousand (31 December 2017: SR 327 thousand) is presented within insurance operations' surplus' in the statement of financial position.

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

	SAR'000	
	Shareholders' operations	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
At the beginning of the period / year	125,018	146,076
Sold during the period / year	-	(21,000)
	125,018	125,076
Net change in fair values	(41)	(58)
At the end of the period / year	124,977	125,018

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 5,387 thousand (31 December 2017: SR 5,428 thousand) is presented within shareholders' equity in the statement of financial position.

Fair value

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

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

The unlisted security of SR1.92 million (31 December 2017: SR 1.92 million) held as part of Company's shareholder operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the three-month periods ended 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

Fair value (continued)

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

Determination of fair value and fair value hierarchy

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

- Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which any significant input is not based on observable market data

SR'000			
Insurance operations – Fair Value			
31 March 2018 (Unaudited)			
Level 1	Level 2	Level 3	Total
<i>Available for sale investments</i>			
Mutual funds	3,369	-	3,369
Sukuk	-	25,000	25,000
<i>Total available for sale investments</i>	3,369	25,000	28,369

SR'000			
31 December 2017 (Audited)			
Insurance operations – Fair Value			
Level 1	Level 2	Level 3	Total
<i>Available for sale investments</i>			
Mutual funds	3,358	-	3,358
Sukuk	-	25,000	25,000
<i>Total available for sale investments</i>	3,358	25,000	28,358

SR'000			
Shareholders' operations – Fair Value			
31 March 2018 (Unaudited)			
Level 1	Level 2	Level 3	Total
<i>Available for sale investments</i>			
Mutual funds	55,679	-	55,679
Bonds	9,998	37,377	47,375
Sukuk	-	20,000	20,000
Equities	-	-	1,923
<i>Total available for sale investments</i>	65,677	57,377	124,977

SR'000			
Shareholders' operations – Fair Value			
31 December 2017 (Audited)			
Level 1	Level 2	Level 3	Total
<i>Available for sale investments</i>			
Mutual funds	55,524	-	55,524
Bonds	9,998	37,573	47,571
Sukuk	-	20,000	20,000
Equities	-	-	1,923
<i>Total available for sale investments</i>	65,522	57,573	125,018

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

9. TECHNICAL RESERVES

a) Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	SAR'000	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Outstanding claims	582,557	499,938
Claims incurred but not reported	575,631	594,499
Premium deficiency reserve	13,430	15,700
Other technical reserves	11,535	10,596
	1,183,153	1,120,733
Less:		
Reinsurers' share of outstanding claims	464,412	366,647
Reinsurers' share of claims Incurred but not reported	131,300	114,493
	595,712	481,140
Net outstanding claims and reserves	587,441	639,593

b) Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	SAR'000		
	Three month period ended 31 March 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	1,405,228	(464,063)	941,165
Premium written during the period	413,616	(64,868)	348,748
Premium earned during the period	(619,443)	135,772	(483,671)
Balance as at the end of the period	1,199,401	(393,159)	806,242
	SAR'000		
	Year ended 31 December 2017 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	1,629,251	(536,383)	1,092,868
Premium written during the year	2,665,838	(494,679)	2,171,159
Premium earned during the year	(2,889,861)	566,999	(2,322,862)
Balance as at the end of the year	1,405,228	(464,063)	941,165

10. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 9,341 thousand (a 25% equity interest) (2017: SR 9,341), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		SR'000			
		31 March 2018 (Unaudited)	31 March 2017 (Unaudited)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Due from related parties					
Medgulf BSC - Head office account (major shareholder)	-Claims recoveries on behalf of major shareholder	-	2,065	-	-
	-Payment received during the period	-	23,879	-	-
	-Balance due from at period / year end	-	-	2,453	2,453
	-Allowance for doubtful debts	-	-	(2,390)	(2,390)
	-Net balance due from at period / year end	-	-	63	63
Medgulf BSC - Operation account (major shareholder)	-Payment received during the period	-	24,206	-	-
Medgulf Egypt (affiliate)	-Payment received during the period	-	58	-	-
Medgulf Jordan (affiliate)	-Payment received during the period	-	25	-	-
Motion al-Saudia (affiliate) (in liquidation)	-Payment received during the period	-	10,924	-	-
Addison Bradley ArabiaKSA (affiliate)	-Payment received during the period	-	13,066	-	-
Al Samiya Trading Co (affiliate)	-Payment received during the period	-	448	-	-
Total due from related parties				63	63
Due to a related party					
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary	2,877	3,894	-	-
	-Third party administration fees	9,340	77,061	-	-
	-Claim incurred	31	66	-	-
	-Payment received	1	43	-	-
	-Premium refundable	192	367	-	-
	-Payment on third party administration fees	9,886	68,000	-	-
	-Balance due to at period / year end (Refer 11.a (iv))			688	3,886
Total due to related party				688	3,886

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		SR'000			
		31 March 2018 (Unaudited)	31 March 2017 (Unaudited)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	1,272	1,352	2,269	997
	-Statutory deposit (refer note 11.a (i))	-	53,315	165,546	165,546
	-Gross written premiums	4,051	2,965	-	-
	-Premiums (refundable)	-	-	(1,163)	(1,163)
	-Claims incurred / adjustment	65	928	-	-
	-Outstanding claims	-	-	(607)	(607)
Saudi Orix (Shareholder of the Medgulf BSC)	-Gross written premiums	27,439	27,788	-	-
	-Premiums receivable	-	-	774	774
	-Allowance for doubtful debts	-	-	(23)	(23)
	-Net Balance receivable at period / year end	-	-	751	751
	-Claims incurred	16,254	19,659	-	-
	-Outstanding claims	-	-	(593)	(593)
	-Gross written premiums	9,884	16,680	-	-
Safari Group of companies (Under common Directorship)	-Premiums receivable	-	-	1,802	1,802
	-Allowance for doubtful debts	-	-	(42)	(42)
	-Net balance receivable at period / year end	-	-	1,760	1,760
	-Claims incurred	10,498	15,030	-	-
	-Claims payable	-	-	(186)	(186)

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		SR'000			
		31 March 2018 (Unaudited)	31 March 2017 (Unaudited)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Other related parties transactions and balances – due from / (due to)					
Medivisa KSA (affiliate)	-Medical claim Jordan / balance	598	1,168	2,190	1,592
	-Medical claim Lebanon / balance	149	365	380	529
	-Medical claim Egypt / balance	12	58	12	-
Al Istithmar Capital (subsidiary of SIB- founding shareholder)	-Discretionary portfolio arrangement (refer 11.a (ii))	155	463	55,679	55,524
	-Current account	18,505	18,945	520	520
	-Gross written premium / (adjustment)	-	(24)	-	-
	-Premiums refundable	-	-	(38)	(38)
Khalid A. Al Shathry Construction Co. (Under common directorship) (Refer 11.a (iii))	-Gross written premiums	367	25	-	-
	-Premiums receivable	-	-	259	259
	-Allowance for doubtful debts	-	-	(137)	(137)
	-Net balance receivable at period / year end	-	-	122	122
	-Claims incurred	132	56	-	-
	- Outstanding recovery	-	-	1	1
Sanaya Dental Care (Under common directorship) (Refer 11.a (xiii))	-Medical claim	19	137	-	-
	-Payment on account	19	135	-	-
	-Balance due to at period / year end	-	-	(1)	(1)
Saleh Al-Sagri (individual motor policy) (Refer 11.a (xii))	-Gross written premiums	28	64	-	-
	-Claims incurred	34	2	-	-
	-Outstanding claims	-	-	1	1
Advanced Petrochemical Company (Under common directorship) (Refer 11.a (xi))	-Premiums receivable	-	-	166	166
	-Allowance for doubtful debts	-	-	(124)	(124)
	-Net balance receivable at period / year end	-	-	42	42

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		SR'000			
		31 March 2018 (Unaudited)	31 March 2017 (Unaudited)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Other related parties transactions and balances – due from / (due to)					
Medgulf BSC (major shareholder)	-Claim recoveries	7	26,949	-	-
	-Reinsurance recovery (refer 11.a(ix))	-	-	5,962	5,962
	-Allowance for doubtful debts	-	-	(4,471)	(5,962)
	-Net balance receivable at period / year end	-	-	1,491	-
Khalid A. Al Shathry (individual motor policies of director) (Refer 11.a (iii))	-Gross written premiums	-	7	-	-
	-Premiums receivables	-	-	215	215
	-Allowance for doubtful debts	-	-	(169)	(169)
	-Net balance receivable at period / year end	-	-	46	46
	-Claims incurred	-	14	-	-
	-Outstanding recovery	-	-	10	10
	-Payment received	-	54,527	-	-
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	-	-	-	-
	-Gross written premiums	238	-	-	-
Zahrat al Waha plastic Co. (Under common directorship)	-Balance due from at period / year end	-	-	199	-

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		SR'000			
		31 March 2018 (Unaudited)	31 March 2017 (Unaudited)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Other related parties transactions and balances – due from / (due to)					
Addison Bradley International / Medgulf Lebanon (affiliate)	-Balance receivable at period / year end	-	-	30,242	30,242
	-Allowance for doubtful debts	-	-	(30,242)	(30,242)
	-Net balance due from at period/ year end	-	-	-	-
Lutfi Fadel El Zein Ex board member (Refer 11.a (x))	-Gross written premiums	-	87	-	-
SIB LLC (UAE) (affiliate)	-Payment received during the period	-	31	-	-
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period	274	4,570	-	-
Addison Bradley International (affiliate)	-Reinsurance recoveries (Refer 11.a (vii))	349	-	-	-
	-Balance due from at period/ year end	-	-	13,528	13,453
	- Allowance for doubtful debts	-	-	(1,318)	(10,090)
	- Net balance due from at period / year end	-	-	12,210	3,363
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Payment made during the period	-	2,692	-	-
	-Balance due from at period / year end	-	-	1,472	1,472
	- Allowance for doubtful debts	-	-	(1,472)	(1,472)
	- Net balance due from at period / year end (Refer 11.a (viii))	-	-	-	-

11.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 0.70% per annum

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

11.a(iii) The board members resigned on 7 February 2018

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

11. a (iv) The balance due from Medgulf BSC (major shareholder) as at 31 December 2016 amounting to SR 165.6 million was after setting off SR 40.5 million due to Medivisa KSA (affiliate), which was withheld by the Company for its dues from Medgulf BSC in accordance with mutual agreement of all the parties. Subsequently, the shareholders of Medivisa KSA had issued a credit note in the first half of 2017 amounting to SR 40.5 million to this effect. Further, the balance was adjusted by SR 43.5 million to reach SR 122 million as a result of the exercise performed by the consultant during June 2017. During the period 31 December 2017, an irrevocable and unconditional bank guarantee was issued in favour of Medgulf KSA by a major shareholder of Medgulf Bahrain BSC amounting to SR 122 million for the settlement of balances due from Medgulf BSC. During the year ended 31 December 2017, the full amount has been collected from the bank guarantee.

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

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

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

11. a (x) The board member resigned on October 10, 2017

11. a (xi) The board members resigned on 11 December 2017

11. a (xii) The board members resigned on 27 March 2018

11. a (xiii) The board members resigned on 7 February 2018

11. b Compensation of key management personnel

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

	SR'000	
	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Short term benefits	2,493	12,109
End of service benefits	366	339
	2,859	12,448

11. c All reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 7 amounting to Saudi Riyals 109.2 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions.

12. STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. During the year ended 31 December 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. (Refer Note 1). The Company is in the process of seeking SAMA's guidance in respect of effect on statutory deposit for the said reduction in share capital.

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

13. SEGMENTAL INFORMATION

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

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

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

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

SAR'000						
As at 31 March 2018 (Unaudited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Assets						
Reinsurers' share of unearned premiums	-	62,893	330,266	393,159	-	393,159
Reinsurers' share of outstanding claims	-	(12,981)	477,393	464,412	-	464,412
Reinsurers' share of claims Incurred but not reported	-	55,598	75,702	131,300	-	131,300
Deferred policy acquisition costs	29,523	17,586	25,978	73,087	-	73,087
Unallocated assets				1,479,436	816,830	2,296,266
Total assets				2,541,394	816,830	3,358,224
SAR'000						
As at 31 March 2018 (Unaudited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Liabilities						
Gross unearned premiums	590,583	243,020	365,798	1,199,401	-	1,199,401
Unearned reinsurance commission	-	12,965	16,833	29,798	-	29,798
Gross outstanding claims	174,349	(94,636)	502,844	582,557	-	582,557
Claims incurred but not reported	264,581	231,181	79,869	575,631	-	575,631
Premium Deficiency reserves	13,430	-	-	13,430	-	13,430
Other technical reserves	-	4,710	6,825	11,535	-	11,535
Unallocated liabilities and insurance operations' surplus				432,106	40,371	472,477
Total liabilities and insurance operations' surplus				2,844,458	40,371	2,884,829

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

13. SEGMENTAL INFORMATION (Continued)

SAR'000						
As at 31 December 2017 (Audited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Assets						
Reinsurers' share of unearned premiums	-	82,650	381,413	464,063	-	464,063
Reinsurers' share of outstanding claims	-	(9,819)	376,466	366,647	-	366,647
Reinsurers' share of claims Incurred but not reported	-	53,921	60,572	114,493	-	114,493
Deferred policy acquisition costs	46,970	22,052	16,043	85,065	-	85,065
Unallocated assets				1,730,305	886,508	2,616,813
Total assets				2,760,573	886,508	3,647,081
SAR'000						
As at 31 December 2017 (Audited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Liabilities						
Gross unearned premiums	683,124	300,279	421,825	1,405,228	-	1,405,228
Unearned reinsurance commission	-	17,547	17,659	35,206	-	35,206
Gross outstanding claims	174,337	(81,946)	407,547	499,938	-	499,938
Claims incurred but not reported	301,984	226,911	65,604	594,499	-	594,499
Premium Deficiency reserves	15,700	-	-	15,700	-	15,700
Other technical reserves	-	2,505	8,091	10,596	-	10,596
Unallocated liabilities and insurance operations` surplus				546,150	41,203	587,353
Total liabilities and insurance operations` surplus				3,107,317	41,203	3,148,520

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

13. SEGMENTAL INFORMATION (Continued)

SAR 000's						
For the three month period ended 31 March 2018 (Unaudited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total		
Revenues						
Gross premiums written						
-Direct	282,656	77,772	51,677	412,105	-	412,105
-Reinsurance	-	-	1,511	1,511	-	1,511
	282,656	77,772	53,188	413,616	-	413,616
Reinsurance premiums ceded						
-Local	-	-	(866)	(866)	-	(866)
-Abroad	-	(18,131)	(41,705)	(59,836)	-	(59,836)
	-	(18,131)	(42,571)	(60,702)	-	(60,702)
Excess of loss premiums	-	(2,100)	(2,066)	(4,166)	-	(4,166)
Net Premiums Written	282,656	57,541	8,551	348,748	-	348,748
Changes in unearned premiums, net	92,541	37,502	4,880	134,923	-	134,923
Net Premiums Earned	375,197	95,043	13,431	483,671	-	483,671
Reinsurance commission income	-	8,214	7,779	15,993	-	15,993
Total Revenues	375,197	103,257	21,210	499,664	-	499,664
Underwriting Costs and Expenses						
Gross claims paid	(414,606)	(83,343)	(37,248)	(535,197)	-	(535,197)
Expenses incurred related to claims	(12,528)	(4,687)	(560)	(17,775)	-	(17,775)
Reinsurers' share of claims paid	-	23,712	36,069	59,781	-	59,781
Net claims and other benefits paid	(427,134)	(64,318)	(1,739)	(493,191)	-	(493,191)
Change in outstanding claims, net	13	9,528	5,605	15,146	-	15,146
Change in IBNR, net	37,403	(2,592)	864	35,675	-	35,675
Net claims and other benefits incurred	(389,718)	(57,382)	4,730	(442,370)	-	(442,370)
Premium deficiency reserve				-	-	-
Other technical reserves	2,270	(2,205)	1,266	1,331	-	1,331
Policy acquisition costs	(20,774)	(9,554)	(6,620)	(36,948)	-	(36,948)
Total Underwriting Costs and Expenses	(408,222)	(69,141)	(624)	(477,987)	-	(477,987)
NET UNDERWRITING INCOME	(33,025)	34,116	20,586	21,677	-	21,677
Other Operating (Expenses)/Income						
Allowance for doubtful debts				36		36
General and administrative expenses				(59,301)	(972)	(60,273)
Special commission income				3,153	611	3,764
Other income				11,524	-	11,524
Total Other Operating Expenses, net				(44,588)	(361)	(44,949)
Net loss for the period				(22,911)	(361)	(23,272)

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

13. SEGMENTAL INFORMATION (Continued)

Operating segments	SAR 000's					
	For the three month period ended 31 March 2017 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total		
Revenues						
Gross premiums written						
-Direct	604,729	86,300	90,877	781,906	-	781,906
-Reinsurance	-	-	2,108	2,108	-	2,108
	604,729	86,300	92,985	784,014	-	784,014
Reinsurance premiums ceded						
-Local	-	-	(1,800)	(1,800)	-	(1,800)
-Abroad	-	(23,742)	(67,911)	(91,653)	-	(91,653)
	-	(23,742)	(69,711)	(93,453)	-	(93,453)
Excess of loss premiums	-	(1,552)	(1,797)	(3,349)	-	(3,349)
Net Premiums Written	604,729	61,006	21,477	687,212	-	687,212
Changes in unearned premiums, net	(81,390)	14,319	(4,595)	(71,666)	-	(71,666)
Net Premiums Earned	523,339	75,325	16,882	615,546	-	615,546
Reinsurance commission income	-	14,579	9,747	24,326	-	24,326
Total Revenues	523,339	89,904	26,629	639,872	-	639,872
Underwriting Costs and Expenses						
Gross claims paid	(501,154)	(98,352)	(39,733)	(639,239)	-	(639,239)
Expenses incurred related to claims	(17,652)	(3,195)	(2,437)	(23,284)	-	(23,284)
Reinsurers' share of claims paid	-	29,557	39,186	68,743	-	68,743
Net claims and other benefits paid	(518,806)	(71,990)	(2,984)	(593,780)	-	(593,780)
Change in outstanding claims, net	(27,497)	24,436	1,296	(1,765)	-	(1,765)
Change in IBNR, net	43,834	(22,315)	210	21,729	-	21,729
Net claims and other benefits incurred	(502,469)	(69,869)	(1,478)	(573,816)	-	(573,816)
Premium deficiency reserve	10,902	(3,883)	-	7,019	-	7,019
Policy acquisition costs	(26,184)	(6,790)	(5,977)	(38,951)	-	(38,951)
Total Underwriting Costs and Expenses	(517,751)	(80,542)	(7,455)	(605,748)	-	(605,748)
NET UNDERWRITING INCOME	5,588	9,362	19,174	34,124	-	34,124
Other Operating (Expenses)/Income						
Allowance for doubtful debts				(74,500)	-	(74,500)
General and administrative expenses				(70,867)	(1,116)	(71,983)
Special commission income				4,194	1,716	5,910
Other income				13,478	-	13,478
Total Other Operating Expenses, net				(127,695)	600	(127,095)
Net loss for the period				(93,571)	600	(92,971)

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

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

Basic and diluted earnings per share for the period was calculated by dividing the net income for the period by the weighted average number of shares issued and outstanding during the three month period ended 31 March 2018 amounting to 40 million shares (31 December 2017: 40 million shares).

15. SHARE CAPITAL

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

During the period ended 31 March 2018, the Company's Board of Directors in their meeting held on 6 February 2018, recommended a rights issue amounting to SAR 400 million. Such rights issue is subject to approval of the regulatory authorities and general assembly of the Company.

16. CAPITAL MANAGEMENT

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

The company is not in compliance with the solvency margin required by SAMA (refer note 1 and 18).

17. STATUTORY RESERVE

In accordance with its By-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution. Since there was accumulated deficit for the period ended 31 March 2018 and year ended 31 December 2017, no transfer was made to statutory reserve.

18. SOLVENCY MARGIN

During the period ended 31 March 2016, SAMA issued a letter to the Company that highlighted the deteriorating solvency margin of the Company and the rectification measures to be taken by the Company according to Article 68 of the Insurance Implementing Regulations. The Company was not able to meet the solvency margin requirement by 30 September 2016 as instructed by SAMA and had not submitted the final approved plan as required by the aforesaid letter. On 27 December 2016, SAMA issued another letter binding the Company to provide an approved plan to meet the requirement of solvency margin by 18 January 2017 and take necessary measures to ensure the fulfilment of the rights of the policy holders. The detailed plan was subsequently provided to SAMA during the period ended 31 March 2017, after approval by the Company's Board of Directors. On 2 October 2017, SAMA issued a follow-up letter to the Company to comply with solvency margin requirement by 31 December 2017 and intimated that failure to do so will result in the suspension of the Company's operations. Further, on 23 October 2017, SAMA issued another letter highlighting the critical financial condition of the Company and significant deterioration in its solvency margin despite repeated follow-ups. SAMA in its aforesaid letter also highlighted the irregularities in governance issues and delays in the collection of long outstanding related parties' balances. Furthermore, SAMA in its letter urged the Company's Board of Directors to come up with an urgent and effective solution for its critical financial condition. Moreover, SAMA reiterated that it may suspend the operations of the Company at any time even before 31 December 2017 if no tangible actions are taken to improve the deteriorating solvency margin situation. The Company's Board of Directors in their meeting held on 2 October 2017 resolved to appoint a new consultant to formulate a new business plan and submit its report to SAMA before 31 December 2017. Accordingly, the plan submitted by the consultant was approved by the Board of Directors in their meeting held on 1 November 2017.

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

18. SOLVENCY MARGIN (Continued)

As per the revised business plan, the solvency margin situation is expected to improve gradually after taking certain measures as mentioned in the plan, including, amongst others, exiting unprofitable accounts, reinsurance of medical business, recoveries from policyholders and related parties and finally a capital injection amount that may vary depending on the strategic measures adopted as outlined in the plan in order to be in full compliance with the solvency margin requirement. As explained in Note 1, the Company did not meet the solvency margin requirements as at 31 December 2017 and consequently SAMA issued a letter dated 29 January 2018, preventing the Company from writing any new policies and renewing the existing policies. SAMA also instructed the Company to increase its share capital before 30 July 2018 to address the issue of its deteriorating solvency margin. The Company's Board of Directors in their meeting held on 6 February 2018, recommended a rights issue amounting to SAR 400 million in order to improve the solvency margin and the Company's future business activities. Such rights issue is subject to approval of the regulatory authorities and general assembly of the Company. Subsequent to the period ended 31 March 2018, 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. The Company has also initiated measures to address the governance issues in light of matters raised by SAMA that includes reconstitution of the Board and Board committees. Subsequent to the period end 31 March 2018, the Company submitted a revise plan to SAMA which was approved by them on 22 April 2018.

19. STATUS OF ZAKAT, WITHHOLDING AND INCOME TAXES

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2017 with the General Authority of Zakat and Income Tax (GAZT). Further, the Company has filed an appeal for zakat, income tax and withholding tax for assessment years 2009 to 2012. The management has made appropriate provisions in this interim condensed financial information based on the advice of the Company's zakat and tax consultant.

20. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

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

b) Operating lease commitments

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

	SR'000	
	31 March 2018	31 December 2017
	(Unaudited)	(Audited)
Less than one year	-	-
One to five years	19,061	19,061
	19,061	19,061

c) Contingencies and capital commitments

As at 31 March 2018, the Company's banker has issued letters of guarantee of SR 25,811 thousand (31 December 2017: SR 29,565 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 5). The Company had no capital commitments during the period ended 31 March 2018 (31 December 2017: nil).

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

21. SUPPLEMENTARY INFORMATION

Interim condensed statement of financial position

	SAR 000's					
	31 March 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Assets						
Cash and cash equivalents`	118,202	3,792	121,994	378,349	5,176	383,525
Short term deposits	390,000	-	390,000	401,250	70,000	471,250
Premium and reinsurers' receivable, net	670,260	-	670,260	659,105	-	659,105
Reinsurers' share of unearned premiums	393,159	-	393,159	464,063	-	464,063
Reinsurers' share of outstanding claims	464,412	-	464,412	366,647	-	366,647
Reinsurers' share of claims incurred but not reported	131,300	-	131,300	114,493	-	114,493
Deferred policy acquisition costs	73,087	-	73,087	85,065	-	85,065
Due from a related party	63	-	63	63	-	63
Due from / to shareholders` / insurance operation	301,140	(301,140)	-	346,744	(346,744)	-
Prepaid expenses and other assets	248,962	1,251	250,213	236,650	1,427	238,077
Available for sale investments	28,369	124,977	153,346	28,358	125,018	153,376
Property and equipment, net	22,409	-	22,409	23,211	-	23,211
Land	-	30,000	30,000	-	30,000	30,000
Intangible assets, net	3,094	-	3,094	3,319	-	3,319
Statutory deposit	-	150,000	150,000	-	150,000	150,000
Investment in an associate	-	9,341	9,341	-	9,341	9,341
Accrued commission on statutory deposit	-	15,546	15,546	-	15,546	15,546
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	2,844,457	513,767	3,358,224	3,107,317	539,764	3,647,081

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

21. SUPPLEMENTARY INFORMATION (Continued)

	SAR 000's					
	31 March 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Liabilities						
Accrued and other liabilities	132,840	120	132,960	152,257	635	152,892
Accounts and commission payable	119,525	-	119,525	121,768	-	121,768
Reinsurers' balances payable	53,976	-	53,976	135,761	-	135,761
Gross unearned premiums	1,199,401	-	1,199,401	1,405,228	-	1,405,228
Unearned reinsurance commission	29,798	-	29,798	35,206	-	35,206
Gross outstanding claims	582,557	-	582,557	499,938	-	499,938
Claims incurred but not reported	575,631	-	575,631	594,499	-	594,499
Premium deficiency reserve	13,430	-	13,430	15,700	-	15,700
Other technical reserves	11,535	-	11,535	10,596	-	10,596
Due to a related party	688	-	688	3,886	-	3,886
Employees end of service benefits	13,474	-	13,474	20,887	-	20,887
Surplus distribution payable	111,566	-	111,566	111,566	-	111,566
Zakat & income tax	-	24,705	24,705	-	25,022	25,022
Accrued commission income payable to SAMA	-	15,546	15,546	-	15,546	15,546
Total Liabilities	2,844,421	40,371	2,884,792	3,107,292	41,203	3,148,495
Insurance Operations' Surplus						
Cumulative change in fair values of available for sale investments	338	-	338	327	-	327
Re-measurement of defined benefit liability – employees benefits	(302)	-	(302)	(302)	-	(302)
TOTAL INSURANCE OPERATIONS' SURPLUS	36	-	36	25	-	25
Shareholders' Equity						
Share capital	-	400,000	400,000	-	400,000	400,000
Statutory reserve	-	146,135	146,135	-	146,135	146,135
Accumulated losses	-	(78,126)	(78,127)	-	(53,002)	(53,002)
Fair values reserve gain on investments	-	5,387	5,387	-	5,428	5,428
Total Equity	-	473,396	473,395	-	498,561	498,561
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	2,844,457	513,767	3,358,224	3,107,317	539,764	3,647,081

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

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of income

	SAR 000's					
	31 March 2018 (Unaudited)			31 March 2017 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Revenues						
Gross premiums written						
-Direct	412,105	-	412,105	781,906	-	781,906
-Reinsurance	1,511	-	1,511	2,108	-	2,108
	413,616	-	413,616	784,014	-	784,014
Reinsurance premiums ceded						
-Local	(866)	-	(866)	(1,800)	-	(1,800)
-Abroad	(59,836)	-	(59,836)	(91,653)	-	(91,653)
	(60,702)	-	(60,702)	(93,453)	-	(93,453)
Excess of loss premiums	(4,166)	-	(4,166)	(3,349)	-	(3,349)
Net Premiums Written	348,748	-	348,748	687,212	-	687,212
Changes in unearned premiums, net	134,923	-	134,923	(71,666)	-	(71,666)
Net Premiums Earned	483,671	-	483,671	615,546	-	615,546
Reinsurance commission income	15,993	-	15,993	24,326	-	24,326
Total Revenues	499,664	-	499,664	639,872	-	639,872
Underwriting Costs and Expenses						
Gross claims paid	(535,197)	-	(535,197)	(639,239)	-	(639,239)
Expenses incurred related to claims	(17,775)	-	(17,775)	(23,284)	-	(23,284)
Reinsurers' share of claims paid	59,781	-	59,781	68,743	-	68,743
Net claims and other benefits paid	(493,191)	-	(493,191)	(593,780)	-	(593,780)
Change in outstanding claims, net	15,146	-	15,146	(1,765)	-	(1,765)
Change in IBNR, net	35,675	-	35,675	21,729	-	21,729
Net claims and other benefits incurred	(442,370)	-	(442,370)	(573,816)	-	(573,816)
Additional premium deficiency reserve	-	-	-	7,019	-	7,019
Other technical reserves	1,331	-	1,331	-	-	-
Policy acquisition costs	(36,948)	-	(36,948)	(38,951)	-	(38,951)
Total Underwriting Costs and Expenses	(477,987)	-	(477,987)	(605,748)	-	(605,748)
NET UNDERWRITING INCOME	21,677	-	21,677	34,124	-	34,124
Other Operating (Expenses)/Income						
Allowance for doubtful debts	36	-	36	(74,500)	-	(74,500)
General and administrative expenses	(59,301)	(972)	(60,273)	(70,867)	(1,116)	(71,983)
Special commission income	3,153	611	3,764	4,194	1,716	5,910
Other income	11,524	-	11,524	13,478	-	13,478
Total Other Operation (Expenses)/Income	(44,588)	(361)	(44,949)	(127,695)	600	(127,095)
Net (loss) / income for the period before appropriation	(22,911)	(361)	(23,272)	(93,571)	600	(92,971)
Shareholders' appropriation from insurance operation deficit	22,911	(22,911)	-	93,571	(93,571)	-
Net loss for the period after appropriation	-	(23,272)	(23,272)	-	(92,971)	(92,971)

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

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of comprehensive income

	SAR 000's					
	31 March 2018 (Unaudited)			31 March 2017 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net loss for the period	-	(23,272)	(23,272)	-	(92,971)	(92,971)
Other comprehensive loss:						
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>						
<u>Available for sale investments</u>						
- Net change in fair values	11	(41)	(30)	17	(571)	(554)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	11	(23,313)	(23,302)	17	(93,542)	(93,525)

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

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of cash flow

	SAR 000's					
	31 March 2018 (Unaudited)			31 March 2017 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the period	-	(23,272)	(23,272)	-	(92,971)	(92,971)
Adjustments for non-cash items:						
Depreciation of property and equipment	2,468	-	2,468	2,309	-	2,309
Gain on disposal of property and equipment	-	-	-	(5)	-	(5)
Allowance for doubtful debts	(36)	-	(36)	74,500	-	74,500
Special commission income	(3,153)	(611)	(3,764)	(4,194)	(1,716)	(5,910)
Provision for employees end of service benefits	(5,566)	-	(5,566)			
	(6,287)	(23,883)	(30,170)	72,610	(94,687)	(22,077)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(11,119)	-	(11,119)	(37,753)	-	(37,753)
Reinsurers' share of unearned premiums	70,904	-	70,904	43,912	-	43,912
Reinsurers' share of outstanding claims	(97,765)	-	(97,765)	(97,106)	-	(97,106)
Reinsurers' share of claims Incurred but not reported	(16,807)	-	(16,807)	-	-	-
Deferred policy acquisition costs	11,978	-	11,978	(12,851)	-	(12,851)
Due from related parties	-	-	-	(325)	-	(325)
Prepaid expenses and other assets	(12,312)	176	(12,136)	(77,382)	414	(76,968)
Accounts and commission payable	(2,243)	-	(2,243)	41,504	-	41,504
Accrued and other liabilities	(19,417)	(515)	(19,932)	(32,573)	-	(32,573)
Reinsurers' balances payable	(81,785)	-	(81,785)	(3,231)	-	(3,231)
Gross unearned premiums	(205,827)	-	(205,827)	27,754	-	27,754
Unearned reinsurance commission	(5,408)	-	(5,408)	(8,485)	-	(8,485)
Gross outstanding claims	82,619	-	82,619	77,142	-	77,142
Claims incurred but not reported	(18,868)	-	(18,868)	-	-	-
Premium deficiency reserves	(2,270)	-	(2,270)	(7,019)	-	(7,019)
Other technical reserves	939	-	939	-	-	-
Due to related party	(3,198)	-	(3,198)	1,771	-	1,771
Deposit against letter of guarantee	3,754	-	3,754	771	-	771
	(313,112)	(24,222)	(337,334)	(11,261)	(94,273)	(105,534)
Payment of employee end of service benefits	(1,847)	-	(1,847)	-	-	-
Zakat and income tax paid	-	(2,169)	(2,169)	-	-	-
Net cash used in operating activities	(314,959)	(26,391)	(341,350)	(11,261)	(94,273)	(105,534)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	-	-	-	-	3,000	3,000
Special commission income	3,153	611	3,764	4,194	1,716	5,910
Proceeds from short term deposits	11,250	70,000	81,250	123,149	-	123,149
Additions in property and equipment, net	(1,441)	-	(1,441)	(1,717)	-	(1,717)
Net cash generated from investing activities	12,962	70,611	83,573	125,626	4,716	130,342
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders' operation	45,604	(45,604)	-	(70,861)	70,861	-
Net cash generated from / (used in) financing activities	45,604	(45,604)	-	(70,861)	70,861	-
Net change in cash and cash equivalents	(256,393)	(1,384)	(257,777)	43,504	(18,696)	24,808
Cash and cash equivalents, beginning of the period	348,784	5,176	353,960	460,611	211,677	672,288
Cash and cash equivalents, end of the period	92,391	3,792	96,183	504,115	192,981	697,096

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

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the Board of Directors 17 Sha`ban 1439 corresponding to 3 May 2018.