

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

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

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

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

INTRODUCTION

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

SCOPE OF REVIEW

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

CONCLUSION

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

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying interim condensed financial information. The Company did not meet the solvency margin requirements as at 30 September 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.

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2 November 2020
16 Rabi I 1442H

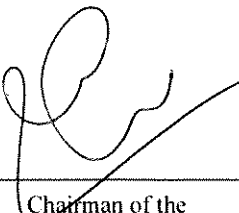


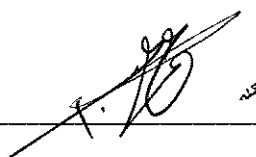
THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

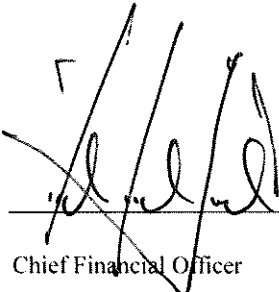
ASSETS

		SAR '000	
	Notes	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Cash and cash equivalents	6	411,054	291,216
Short term deposits	7	138,477	266,884
Premium and reinsurers' receivable, net	8	662,834	572,215
Reinsurers' share of unearned premiums	10 c	368,853	290,619
Reinsurers' share of outstanding claims	10 a	416,369	334,829
Reinsurers' share of claims incurred but not reported	10 a	252,141	222,617
Deferred policy acquisition costs		70,637	67,196
Due from related parties, net	9	1,994	63
Prepayment and other assets, net		118,839	253,841
Available for sale investments	12	601,147	479,445
Right of use assets, net		18,827	25,854
Property and equipment, net		47,430	46,170
Intangible assets, net		5,510	4,719
Deferred tax asset	17	10,492	11,962
Statutory deposit	13	120,000	120,000
Investment in an associate	11	8,002	9,393
Accrued commission on statutory deposit	19	26,541	23,864
Goodwill	14	480,000	480,000
TOTAL ASSETS		3,759,147	3,500,887

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


Chairman of the
Board of Directors


Chief Executive Officer


Chief Financial Officer

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT SEPTEMBER 30, 2020


AS AT SEPTEMBER 30, 2020

		SAR '000	
	Notes	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<u>LIABILITIES</u>			
Accrued expenses and other liabilities		125,780	59,622
Accounts and commission payable		119,899	137,744
Lease liability		18,305	25,903
Reinsurers' balances payable		263,825	107,488
Gross unearned premiums	10 c	1,014,635	985,437
Unearned reinsurance commission		63,623	31,161
Gross outstanding claims	10 a	576,100	466,610
Claims incurred but not reported	10 a	611,555	751,200
Premium deficiency reserves	10 b	37,012	20,529
Other technical reserves	10 b	13,384	14,894
Due to a related party	9	322	17,080
End of service indemnities		18,832	27,451
Surplus distribution payable		94,453	112,561
Zakat & income tax	17 b	18,745	13,188
Accrued commission income payable to SAMA	19	26,541	23,864
TOTAL LIABILITIES		3,003,011	2,794,732
<u>EQUITY</u>			
Share capital	18	800,000	800,000
Statutory reserve	16	26,135	146,135
Accumulated losses		(105,643)	(256,482)
Re-measurement of defined benefit liability – employees benefits		(5,159)	(5,159)
Fair values reserve on investments		40,803	21,661
TOTAL EQUITY		756,136	706,155
TOTAL LIABILITIES AND EQUITY		3,759,147	3,500,887

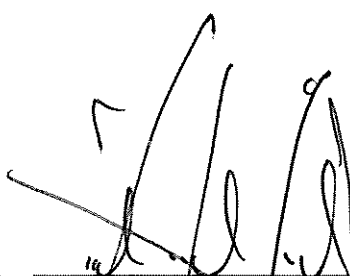
COMMITMENTS AND CONTINGENCIES

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


 Chairman of the
 Board of Directors


 Chief Executive Officer


 Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF INCOME

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

	SAR'000			
	For the three month period ended		For the nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES				
Gross premiums written				
-Direct	422,137	747,085	1,934,050	2,114,786
-Reinsurance	-	-	-	-
	422,137	747,085	1,934,050	2,114,786
Reinsurance premiums ceded				
-Local	(676)	(1,707)	(1,291)	(4,596)
-Abroad	(71,548)	(97,956)	(810,945)	(550,226)
	(72,224)	(99,663)	(812,236)	(554,822)
Excess of loss expenses – foreign	(13,802)	(11,907)	(42,055)	(35,905)
Net written premiums	336,111	635,515	1,079,759	1,524,059
Changes in unearned premiums, net	3,645	(122,504)	49,036	28,376
Net premiums earned	339,756	513,011	1,128,795	1,552,435
Re-insurance commissions	44,956	26,054	133,811	70,109
TOTAL REVENUES	384,712	539,065	1,262,606	1,622,544
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	(533,404)	(458,200)	(1,382,515)	(1,348,941)
Expenses incurred related to claims	(10,368)	(5,683)	(24,009)	(19,268)
Hospital discount	16,373	22,031	56,173	64,327
Reinsurers' share of claims paid	169,396	91,898	372,300	223,601
Net claims and other benefits paid	(358,003)	(349,954)	(978,051)	(1,080,281)
Changes in outstanding claims, net	57,664	(45,363)	(27,950)	(146,677)
Changes in incurred but not reported claims, net	35,615	(12,579)	169,168	(87,948)
Net claims and other benefits incurred	(264,724)	(407,896)	(836,833)	(1,314,906)
Additional premium deficiency reserve	10,579	2,923	(16,483)	27,214
Other technical reserves	207	2,073	1,510	(3,185)
Policy acquisition costs	(23,606)	(27,332)	(79,794)	(84,467)
TOTAL UNDERWRITING COSTS AND EXPENSES	(277,544)	(430,232)	(931,600)	(1,375,344)
NET UNDERWRITING INCOME	107,168	108,833	331,006	247,200
OTHER OPERATING (EXPENSES)/ INCOME				
(Allowance for) / Reversal of doubtful debts	(13,500)	-	(38,115)	20,521
Legal case provision	-	(13,320)	-	(24,246)
General and administrative expenses	(97,800)	(97,644)	(281,388)	(272,704)
Special commission income	3,822	7,184	12,749	27,457
Income from investment in associate	-	-	2,211	-
Dividend income	1,700	-	4,110	-
Realized gain on available for sale investment	4,769	-	5,386	-
Other income	1,434	676	9,949	19,254
TOTAL OTHER OPERATING EXPENSES	(99,575)	(103,104)	(285,098)	(229,718)
NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	7,593	5,729	45,908	17,482
Net income attributed to insurance operation	-	(450)	(3,031)	(1,039)
NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	7,593	5,279	42,877	16,443
Zakat and income tax				
Current zakat and income tax	(3,522)	(2,614)	(10,568)	(7,906)
Deferred tax	(490)	120	(1,470)	(1,961)
Net income for the period	3,581	2,785	30,839	6,576

Earnings per share

Earnings per share (SAR per share) 18 b 0.04 0.03 0.39 0.08

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

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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

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

		SAR'000			
		For the three month period ended		For the nine month period ended	
Notes		September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
	Net income for the period	3,581	2,785	30,839	6,576
	Other comprehensive income				
	Items that are or may be reclassified to statement of income in subsequent periods				
	<u>Available for sale investments</u>				
	- Net change in fair values, insurance operations	12 71	74	252	74
	- Net change in fair values, shareholders' operations	24,626	3,074	18,890	8,032
	<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>	28,278	5,933	49,981	14,682

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

Chairman of the
Board of Directors

Chief Executive Officer

Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY


FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

(SAR in '000')

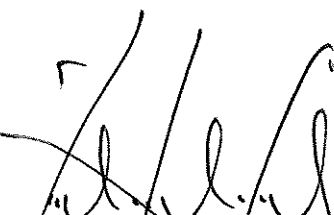
	Notes	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2020 (Audited)		800,000	146,135	(256,482)	21,661	(5,159)	706,155
Reduction of statutory reserves	16	-	(120,000)	120,000	-	-	-
Total comprehensive income for the period:							
-Net income for the period		-	-	30,839	-	-	30,839
-Change in fair values	12 a&b	-	-	-	19,142	-	19,142
Balance as at September 30, 2020 (Unaudited)		800,000	26,135	(105,643)	40,803	(5,159)	756,136

	Share capital	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2019 (Audited) (Restated)	800,000	146,135	(259,606)	(442)	(4,285)	681,802
Total comprehensive income for the period:						
-Net income for the period	-	-	6,576	-	-	6,576
-Change in fair values	-	-	-	8,106	-	8,106
Balance as at September 30, 2019 (Unaudited)	800,000	146,135	(253,030)	7,664	(4,285)	696,484

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


Chairman of the
Board of Directors


Chief Executive Officer


Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

		SAR '000	
		For the nine month period ended	
Notes		September 30, 2020	September 30, 2019
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net income for the period before zakat and income tax	45,908	17,482
	Adjustments for non-cash items:		
	Depreciation and amortization	7,168	6,126
	Allowance for / (Reversal of) doubtful debts	38,115	(20,521)
	Special commission income	(12,749)	(27,457)
11	Income from investment in associate	(2,211)	-
	Realized gain on available for sale investment	(5,386)	-
	Provision for end of service indemnities	5,551	-
		76,396	(24,370)
Changes in operating assets and liabilities:			
	Premiums and reinsurers' receivable	(128,733)	(77,886)
	Reinsurers' share of unearned premiums	(78,234)	(95,670)
	Reinsurers' share of outstanding claims	(81,540)	(73,857)
	Reinsurers' share of claims Incurred but not reported	(29,524)	(106,841)
	Deferred policy acquisition costs	(3,441)	(3,765)
	Prepayment and other assets	135,002	(10,336)
	Deposit against letter of guarantee	4,262	(234,611)
	Right of use assets	7,027	(25,109)
	Accounts and commission payable	(17,845)	(5,145)
	Accrued expenses and other liabilities	66,158	(76,477)
	Lease liability	(7,598)	21,421
	Reinsurers' balances payable	156,337	158,210
	Gross unearned premiums	29,198	67,295
	Unearned reinsurance commission	32,462	19,451
	Gross outstanding claims	109,490	220,534
	Claims incurred but not reported	(139,645)	194,788
	Premium deficiency reserves	16,483	(27,215)
	Other technical reserves	(1,510)	3,185
	Due from related party	(1,931)	4,396
	Due to related party	(16,758)	-
		126,056	(72,002)
	Surplus paid to policyholders	(21,139)	-
	Payment of employees end of service indemnities	(14,171)	(5,111)
17	Zakat and income tax paid	(5,011)	(28,087)
	Net cash from / (used in) operating activities	85,735	(105,200)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Dividend from investment in an associate	3,601	4,897
	Changes in investment in an associate	(2,211)	(2,683)
	Interest on statutory deposit	2,677	2,365
	Interest payable on statutory deposit	(2,677)	(2,365)
	Purchase of available for sale investments	(89,536)	(236,042)
	Special commission income	6,531	27,457
	Proceeds from / (placements in) short term deposits	128,407	(586,283)
	(Additions) / disposal in property, equipment and intangible	(8,428)	(1,833)
	Net cash from / (used in) investing activities	38,364	(794,487)
	Net change in cash and cash equivalents	124,099	(899,687)
6	Cash and cash equivalents, beginning of the period	210,896	1,057,472
6	Cash and cash equivalents, end of the period	334,995	157,785

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

Chief Financial Officer

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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

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. Further the Board of directors in their meeting held on 6 October 2020, recommended to reduce share capital by SAR 100 million and to increase share capital by SAR 350 million, the capital reduction and right issue is subject to the approval of the regulatory authorities and general assembly of the Company.

Management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying cash flow projections under such scenarios, management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the 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.

SAMA had previously issued a letter number 391000054425 dated 29 January 2018, preventing the Company from writing any new policies and renewing the existing policies since the Company did not meet the vency margin requirements as at 31 December 2017. 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 later 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.

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

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 nine month period ended 30 September 2020 amounted to SAR 30,312 thousand (30 September 2019: surplus of SAR 10,390 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SAR 27,281 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SAR 3,031 thousand (30 September 2019: SAR 9,351 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SAR 1,039 thousand).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

4 STANDARDS AND AMENDMENTS ISSUED

Standards issued but not yet effective

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

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

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

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

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

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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 nine-month period ended 30 September 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 September 30, 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SAR 14.9 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 September 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 10.6 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 nine month period ended 30 September 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:

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

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6 CASH AND CASH EQUIVALENTS

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

	SAR'000	
	Insurance operations	
	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Cash and bank balances	108,140	88,607
Deposits maturing within 3 months from the acquisition date	139,897	88,752
Cash and cash equivalent in the statement of cash flows	248,037	177,359
Deposit against letter of guarantee	76,059	80,321
	324,096	257,680
	SAR'000	
	Shareholders' operations	
	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Cash and bank balances	13,397	33,536
Deposits maturing within 3 months from the acquisition date	73,561	-
	86,958	33,536
Cash and bank balances	411,054	291,216
Cash and cash equivalents in the statement of cash flow	334,995	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 2.13% per annum (2019: 2.43% per annum).

For the period ended 30 September 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:

	SAR'000	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Policyholders	553,695	407,434
Brokers and agents	355,862	348,888
Premiums receivables	909,557	756,322
Less: Allowance for doubtful debts	(275,606)	(272,495)
	633,951	483,827
Reinsurers' receivable	257,092	307,208
Less: Allowance for doubtful debts	(228,209)	(218,820)
	28,883	88,388
Premium and reinsurers' receivable – net	662,834	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 September 30, 2020, the movement in the provision for doubtful debts of premium receivables was as follows:

Movement in provision for doubtful debts:

	SAR'000	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance, January 1	491,315	528,642
Provision for the period / year	12,500	(37,327)
Balance at end of period / year	503,815	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 nine month period ended		Balance receivable / (payable) as at	
		September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
SAR'000					
<u>Due from / to related parties</u>					
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	-	3,004	-	-
	-Third party administration fees	-	50,430	-	-
	-Claim incurred	-	122	-	-
	-Payment received	-	-	-	-
	-premium refundable	-	225	-	-
	-Payment on third party administration fees	-	43,331	-	-
	-Balance due from / (due to) at period / year end	-	-	1,931	(17,080)
Waseel ASP ltd (Associate)	-Claims management fee	4,463	-	-	-
	-Balance due from / (due to) at period / year end	-	-	(322)	-
Total due from related parties				1,994	63
Total due to related parties				(322)	(17,080)
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	(3,765)	(34,127)	172	3,937
	-Statutory deposit (refer note 9.a (i))	2,677	2,365	146,541	143,864
	-Gross written premiums	5,429	5,123	-	-
	-Premiums (refundable)	-	-	-	(413)
	-Claims incurred	4	(134)	-	-
	Outstanding claims	-	-	-	(1,432)
	-Balance due from / (due to) at period / year end	-	-	4,325	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for nine month period ended		Balance receivable / (payable) as at	
		September 30, 2020	September 30, 2019	September 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	-	477	-	-
	Jordan / Balance				
	-Medical claim	(654)	(1,015)	(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	2,541	20,095	2,541	-
	-Premiums refundable	-	-	-	-
	-Gross written premiums	(25)	-	-	-
	-Premiums receivable	-	-	-	703
Abunayyan trading Co (Under common directorship)	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	-	703
	-Claims incurred	4,082	-	-	-
	-Gross written premiums	2	-	-	-
KSB Pumps Arabia (Under common directorship)	-Premiums receivable	-	-	4	906
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	4	906
	-Claims incurred	351	-	-	-
Toray membrane middle east (Under common directorship)	-Gross written premiums	51	-	-	-
	-Premiums receivable	-	-	29	680
	-Allowance for doubtful debts	-	-	(4)	-
	-Net balance due from at period / year end	-	-	25	680
	-Claims incurred	278	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for nine month period ended		Balance receivable / (payable) as at	
		September 30, 2020	September 30, 2019	September 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	688	817	-	-
	-Premiums receivable	-	-	30	10
	-Claims incurred	340	(298)	-	-
Medgulf BSC (major shareholder)	-Claim recoveries	-	-	-	-
	-Reinsurance recovery (refer 9.a(iii))	-	-	5,850	5,962
	-Allowance for doubtful debts	-	-	(4,387)	(4,471)
	-Net balance due from at period / year end	-	-	1,463	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	150	-	-	-
	-Premiums receivable	-	-	103	1,399
	-Allowance for doubtful debts	-	-	(22)	-
	-Net balance due from at period / year end	-	-	81	1,399
	-Claims incurred	575	-	-	-
Middle east agriculture (Under common directorship)	-Gross written premiums	(4)	-	-	-
	-Premiums receivable	-	-	2	650
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	2	650
	-Claims incurred	359	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for nine month period ended		Balance receivable / (payable) as at	
		September 30, 2020	September 30, 2019	September 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)	15	-	-
	-Premiums receivable	-	-	1	1,070
	-Claims incurred	761	-	-	-
	-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	-	-	-	-
Arabian qudra (Under common directorship)	-Gross written premiums	(16)	-	-	-
	-Premiums receivable	-	-	-	457
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	-	457
Saudi meter company (Under common directorship)	-Claims incurred	377	-	-	-
	-Gross written premiums	17	-	-	-
	-Premiums receivable	-	-	15	121
	-Allowance for doubtful debts	-	-	(3)	-
Saudi Tumpane Co.(Under common directorship)	-Net balance due from at period / year end	-	-	12	121
	-Claims incurred	72	-	-	-
	-Gross written premiums	45	-	-	-
	-Premiums receivable	-	-	29	3,129
Saudi Tumpane Co.(Under common directorship)	-Allowance for doubtful debts	-	-	(1)	-
	-Net balance due from at period / year end	-	-	28	3,129
	-Claims incurred	1,757	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for nine month period ended		Balance receivable / (payable) as at	
		September 30, 2020	September 30, 2019	September 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	-	-	7	266
	-Allowance for doubtful debts	-	-	(1)	
	-Net balance due from at period / year end	-	-	6	266
	-Claims incurred	154	-	-	-
Industrial instrumentation and control system(Under common directorship)	-Gross written premiums	32	-	-	-
	-Premiums receivable	-	-	1	631
	-Allowance for doubtful debts	-	-	-	(15)
	-Net balance due from at period / year end	-	-	1	616
	-Claims incurred	190	-	-	2,248
Saline water conversion corporation(Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	107	107
	-Allowance for doubtful debts	-	-	(27)	-
	-Net balance due from at period / year end	-	-	80	107
	-Claims incurred	38,855	3,687	-	-
Raad Al Barakati (Director)	-Gross written premiums	5	3	-	-
Amal Bin Shiha (Director)	-Gross written premiums	1	-	-	-
Yousef Hamad Al-Yousfi (Director)	-Gross written premiums	6	-	-	-
Mohamed Omar Aloyaidi(Director)	-Gross written premiums	1	-	-	-
Dr. Ahmed Abdullah Bin Ahmed (Director)	-Gross written premiums	2	-	-	-
Tumpane jubar (Under common directorship)	-Gross written premiums	6	-	-	-
	-Premiums receivable	-	-	5	1,013
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at period / year end	-	-	5	1,013
	-Claims incurred	542	-	-	-

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for nine month period ended		Balance receivable / (payable) as at	
		September 30, 2020	September 30, 2019	September 30, 2020	December 31, 2019
		(Unaudited)	(Unaudited)	(Unaudited)	(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))	(767)	15	-	-
	-Net balance due from at period / year end	-	-	15,500	16,267
	-Allowance for doubtful debts	-	-	(11,625)	(12,191)
	-Net balance due from at period / year end	-	-	3,875	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	286,964	-	421,964	135,000

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

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

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

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

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

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9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

9.b Compensation of key management personnel

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

Nine month period ended September 30, 2020
(Unaudited)

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	7,250
Allowances	298	-
Annual remuneration	2,638	-
End of service indemnities	-	135
	2,936	7,385

Nine month period ended September 30, 2019
(Unaudited)

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

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

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10 TECHNICAL RESERVES

a) Outstanding Claims and IBNR

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Gross	Re-insurance share	Net	Gross	Re-insurance share	Net
	SAR'000			SAR'000		
Outstanding claims	576,100	(416,369)	159,731	466,610	(334,829)	131,781
Claims incurred but not reported	611,555	(252,141)	359,414	751,200	(222,617)	528,583
	1,187,655	(668,510)	519,145	1,217,810	(557,446)	660,364

b) Other Technical Reserves

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	SAR'000	
Premium deficiency reserve	37,012	20,529
Others	13,384	14,894
Other reserves at end of the period / year	50,396	35,423

c) Unearned Premiums

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

	For the period ended September 30, 2020 (Unaudited)		
SAR'000	Gross	Re-insurance	Net
Balance at the beginning of the period / year	985,437	(290,619)	694,818
Premium written during the period	1,934,050	(812,236)	1,121,814
Premium earned during the period	(1,904,852)	1,471,708	(433,144)
Balance at the end of the period	1,014,635	368,853	1,383,488
	For the year ended December 31, 2019 (Audited)		
SAR'000	Gross	Re-insurance	Net
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 8,003 thousand (a 25% equity interest) (2019: SAR 9,393), in an unquoted company (the “associate”), registered in the Kingdom of Saudi Arabia.

	SAR’000	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At the beginning of the period / year	9,393	9,872
Dividend received from investment in an associate	(3,602)	(4,896)
Income from investment in an associate	2,211	4,417
At the end of period / year	8,002	9,393

12 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as set out below:

a) Insurance Operations - Available for sale investments

	SAR’000	
SAR’000	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Type of Investments		
-Mutual Fund	10,433	10,181
	10,433	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 252 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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At the beginning of the period / year	10,181	25,000
Purchase during the period / year	-	10,000
Sold during the period / year	-	(25,000)
Net change in fair values	252	181
At the end of the period / year	10,433	10,181

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12 AVAILABLE FOR SALE INVESTMENTS (Continued)

b) Shareholders' Operations - Available for sale investments

	SAR'000	
Type of Investments	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
-Equity	179,912	136,990
-Mutual Fund	106,211	80,983
-Sukuks	304,591	251,291
	590,714	469,264

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

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR 18,890 thousand (31 December 2019: SAR 21,922 thousand) is presented within shareholders' equity in the interim condensed statement of financial position.

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

	SAR'000	
	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At the beginning of the period / year	469,264	49,151
Purchase during the period / year	138,345	436,606
Sold during the period / year	(35,785)	(38,415)
Net change in fair values / year	18,890	21,922
At the end of the period / year	590,714	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 September 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

Determination of fair value and fair value hierarchy

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

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

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

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

1. Insurance operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
September 30, 2020 (Unaudited)				
Available for sale investments				
- Mutual Fund	10,433	-	-	10,433
Total available for sale investments	10,433	-	-	10,433

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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
September 30, 2020 (Unaudited)				
Available for sale investments				
- Mutual Fund	106,211	-	-	106,211
- Sukuk	-	304,591	-	304,591
- Equities	177,989	-	1,923	179,912
Total available for sale investments	284,200	304,591	1,923	590,714
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

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. The Statutory deposit is placed at the commission rate of 2.4% per anum (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. Further the Board resolved at 6 October 2020 to reduce share capital by SAR 100 million and to increase share capital by SAR 350 million, the legal procedures are yet to be completed.

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 September 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 September 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:

	SAR '000	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
At the beginning of the period / year	13,188	27,184
Charge - current period / year	10,568	14,091
Charge - prior period / year	-	-
Payments during the period / year	(5,011)	(28,087)
At the end of the period / year	18,745	13,188

The provision for zakat and income tax for the period is 10,569 thousand (30 September 2019: SR 7,906 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 2019 with the General Authority of Zakat and Income Tax (GAZT). Further, the Company has filed two appeal for zakat, income tax and withholding tax for assessment years 2008 to 2012 and another one for assessment year 2013 to 2016. The management has made appropriate provisions in this financial statement based on the advice of the Company's zakat and tax consultant.

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

d) Deferred tax

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

	SAR '000	
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Opening deferred tax asset	11,962	13,923
Origination or reversal of temporary differences	(1,470)	(1,961)
Closing deferred tax asset	10,492	11,962

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18 SHARE CAPITAL AND EARNINGS PER SHARE

a) Share capital

The authorized and paid up share capital of the Company is SAR 800 million divided into 80 million shares of SAR 10 each.

b) Earnings per share

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

	For the three month period ended	
	SAR '000	
	30 September 2020	30 September 2019
	(Unaudited)	(Unaudited)
Net income for the period	3,581	2,785
Weighted average number of ordinary shares	80,000	80,000
Earnings per share	0.04	0.03

	For the nine month period ended	
	SAR '000	
	30 September 2020	30 September 2019
	(Unaudited)	(Unaudited)
Net income for the period	30,839	6,576
Weighted average number of ordinary shares	80,000	80,000
Earnings per share	0.39	0.08

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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 26,541 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 September 2020, the Company's banker has issued letters of guarantee of SR 76,059 thousand (31 December 2019: SR 80,321 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 6). The Company had no capital commitments in 2020 (31 December 2019: nil).

c) Contingent liability

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

22 SEGMENTAL INFORMATION

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

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

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

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

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

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As at September 30, 2020 (Unaudited)

22 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	113,535	89,209	166,109	368,853	-	368,853
Reinsurers' share of outstanding claims	46,248	3,214	366,907	416,369	-	416,369
Reinsurers' share of claims Incurred but not reported	79,016	51,966	121,159	252,141	-	252,141
Deferred policy acquisition costs	36,532	10,206	23,899	70,637	-	70,637
Unallocated assets	-	-	-	1,277,112	1,374,035	2,651,147
Total assets	275,331	154,595	678,074	2,385,112	1,374,035	3,759,147
Liabilities						
Gross unearned premiums	631,165	188,480	194,990	1,014,635	-	1,014,635
Unearned reinsurance commission	26,181	22,807	14,635	63,623	-	63,623
Gross outstanding claims	169,108	5,371	401,621	576,100	-	576,100
Claims incurred but not reported	355,873	122,456	133,226	611,555	-	611,555
Premium deficiency reserves	23,006	13,719	287	37,012	-	37,012
Other technical reserves	2,202	2,986	8,196	13,384	-	13,384
Unallocated liabilities and insurance operations' surplus	-	-	-	640,403	46,299	686,702
Total liabilities and insurance operations' surplus	1,207,535	355,819	752,955	2,956,712	46,299	3,003,011

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As at December 31, 2019 (Audited)

22 Operating segments (Continued)

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

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

22 Operating segments (Continued)

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

For the three month period ended September 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	616,775	57,446	72,864	747,085	-	747,085
-Reinsurance	-	-	-	-	-	-
	616,775	57,446	72,864	747,085	-	747,085
Re-insurance premiums ceded						
-Local	-	-	(1,707)	(1,707)	-	(1,707)
-Abroad	(3,791)	(27,313)	(66,852)	(97,956)	-	(97,956)
	(3,791)	(27,313)	(68,559)	(99,663)	-	(99,663)
Excess of loss premiums	(8,650)	(1,461)	(1,796)	(11,907)	-	(11,907)
Net premiums written	604,334	28,672	2,509	635,515	-	635,515
Changes in unearned premiums, net	(164,690)	39,212	2,974	(122,504)	-	(122,504)
Net premiums earned	439,644	67,884	5,483	513,011	-	513,011
Re-insurance commission income	9,369	9,013	7,672	26,054	-	26,054
<u>TOTAL REVENUES</u>	449,013	76,897	13,155	539,065	-	539,065
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(342,391)	(78,223)	(37,586)	(458,200)	-	(458,200)
Expenses incurred related to claims	-	(5,247)	(436)	(5,683)	-	(5,683)
Hospital discount	22,031	-	-	22,031	-	22,031
Re-insurers' share of claims paid	28,471	27,292	36,135	91,898	-	91,898
Net claims and other benefits paid	(291,889)	(56,178)	(1,887)	(349,954)	-	(349,954)
Changes in outstanding claims, net	(43,513)	(1,213)	(637)	(45,363)	-	(45,363)
Changes in incurred but not reported claims, net	(17,896)	4,875	442	(12,579)	-	(12,579)
Net claims and other benefits incurred	(353,298)	(52,516)	(2,082)	(407,896)	-	(407,896)
Premium deficiency reserve	3,725	-	(802)	2,923	-	2,923
Other technical reserves	(267)	377	1,963	2,073	-	2,073
Policy acquisition costs	(18,060)	(5,064)	(4,208)	(27,332)	-	(27,332)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(367,900)	(57,203)	(5,129)	(430,232)	-	(430,232)
NET UNDERWRITING INCOME	81,113	19,694	8,026	108,833	-	108,833
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Legal case provision				(13,320)	-	(13,320)
General and administrative expenses				(95,612)	(2,032)	(97,644)
Special commission income				3,927	3,257	7,184
Other income				676	-	676
<u>Total Other Operating Expenses, net</u>				(104,329)	1,225	(103,104)
<u>Net income for the period before appropriation and before zakat and income tax</u>				4,504	1,225	5,729

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

22 Operating segments (Continued)

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

For the nine month period ended September 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	1,626,441	249,899	238,446	2,114,786	-	2,114,786
-Reinsurance	-	-	-	-	-	-
	1,626,441	249,899	238,446	2,114,786	-	2,114,786
Re-insurance premiums ceded						
-Local	-	-	(4,596)	(4,596)	-	(4,596)
-Abroad	(230,565)	(113,530)	(206,131)	(550,226)	-	(550,226)
	(230,565)	(113,530)	(210,727)	(554,822)	-	(554,822)
Excess of loss premiums	(25,950)	(5,051)	(4,904)	(35,905)	-	(35,905)
Net premiums written	1,369,926	131,318	22,815	1,524,059	-	1,524,059
Changes in unearned premiums, net	(67,129)	95,753	(248)	28,376	-	28,376
Net premiums earned	1,302,797	227,071	22,567	1,552,435	-	1,552,435
Re-insurance commission income	26,660	22,215	21,234	70,109	-	70,109
<u>TOTAL REVENUES</u>	1,329,457	249,286	43,801	1,622,544	-	1,622,544
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(1,004,940)	(242,838)	(101,163)	(1,348,941)	-	(1,348,941)
Expenses incurred related to claims	-	(16,477)	(2,791)	(19,268)	-	(19,268)
Hospital discount	64,327	-	-	64,327	-	64,327
Re-insurers’ share of claims paid	55,822	69,215	98,564	223,601	-	223,601
Net claims and other benefits paid	(884,791)	(190,100)	(5,390)	(1,080,281)	-	(1,080,281)
Changes in outstanding claims, net	(152,852)	8,906	(2,731)	(146,677)	-	(146,677)
Changes in incurred but not reported claims, net	(77,761)	(10,766)	579	(87,948)	-	(87,948)
Net claims and other benefits incurred	(1,115,404)	(191,960)	(7,542)	(1,314,906)	-	(1,314,906)
Premium deficiency reserve	27,156	-	58	27,214	-	27,214
Other technical reserves	(2,939)	(231)	(15)	(3,185)	-	(3,185)
Policy acquisition costs	(56,589)	(16,662)	(11,216)	(84,467)	-	(84,467)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(1,147,776)	(208,853)	(18,715)	(1,375,344)	-	(1,375,344)
NET UNDERWRITING INCOME	181,681	40,433	25,086	247,200	-	247,200
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Reversal of doubtful debts				20,521	-	20,521
Legal case provision				(24,246)	-	(24,246)
General and administrative expenses				(266,824)	(5,880)	(272,704)
Special commission income				14,485	12,972	27,457
Other income				19,254	-	19,254
<u>Total Other Operating Expenses, net</u>				(236,810)	7,092	(229,718)
<u>Net income for the period before appropriation and before zakat and income tax</u>				10,390	7,092	17,482

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

22 Operating segments (Continued)

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	119,102	1,833	23,982	144,917
Medium enterprise	79,855	2,347	6,549	88,751
Small enterprise	61,163	2,337	3,902	67,402
Micro enterprise	32,352	1,457	932	34,741
Individual	18,736	45,796	21,794	86,326
TOTAL GROSS PREMIUMS WRITTEN	311,208	53,770	57,159	422,137

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

Operating segments

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	487,793	11,191	54,160	553,144
Medium enterprise	29,862	899	14,749	45,510
Small enterprise	75,738	1,304	5,128	82,170
Micro enterprise	23,256	(496)	(1,405)	21,355
Individual	126	44,548	232	44,906
TOTAL GROSS PREMIUMS WRITTEN	616,775	57,446	72,864	747,085

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

Operating segments

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	829,537	171,124	54,806	1,055,467
Medium enterprise	225,912	28,345	26,781	281,038
Small enterprise	160,881	9,234	12,939	183,054
Micro enterprise	100,123	3,851	4,200	108,174
Individual	34,866	129,165	142,286	306,317
TOTAL GROSS PREMIUMS WRITTEN	1,351,319	341,719	241,012	1,934,050

For the nine month period ended September 30, 2019 (Unaudited)

Operating segments

Gross premiums written

	Medical	Motor	Property & casualty	Total
	SAR'000			
Large enterprise	1,273,815	60,491	127,799	1,462,105
Medium enterprise	118,441	6,008	45,003	169,452
Small enterprise	170,089	7,808	46,319	224,216
Micro enterprise	63,970	2,840	18,754	85,564
Individual	126	172,752	571	173,449
TOTAL GROSS PREMIUMS WRITTEN	1,626,441	249,899	238,446	2,114,786

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

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

23 SUPPLEMENTARY INFORMATION

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	324,096	86,958	411,054	257,680	33,536	291,216
Short term deposits	120,000	18,477	138,477	91,835	175,049	266,884
Premium and reinsurers' receivable, net	662,834	-	662,834	572,215	-	572,215
Reinsurers' share of unearned premiums	368,853	-	368,853	290,619	-	290,619
Reinsurers' share of outstanding claims	416,369	-	416,369	334,829	-	334,829
Reinsurers' share of claims incurred but not reported	252,141	-	252,141	222,617	-	222,617
Deferred policy acquisition costs	70,637	-	70,637	67,196	-	67,196
Due from related parties, net	1,994	-	1,994	63	-	63
Due from / to shareholders' / insurance operation	566,874	(566,874)	-	606,999	(606,999)	-
Prepayment and other assets, net	115,988	2,851	118,839	250,571	3,270	253,841
Available for sale investments	10,433	590,714	601,147	10,181	469,264	479,445
Right of use assets, net	18,827	-	18,827	25,854	-	25,854
Property and equipment, net	17,430	30,000	47,430	16,170	30,000	46,170
Intangible assets, net	5,510	-	5,510	4,719	-	4,719
Deferred tax asset	-	10,492	10,492	-	11,962	11,962
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	8,002	8,002	-	9,393	9,393
Accrued commission on statutory deposit	-	26,541	26,541	-	23,864	23,864
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	2,951,986	807,161	3,759,147	2,751,548	749,339	3,500,887

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

SAR '000

	September 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>LIABILITIES</u>						
Accrued expenses and other liabilities	124,767	1,013	125,780	58,468	1,154	59,622
Accounts and commission payable	119,899	-	119,899	137,744	-	137,744
Lease liability	18,305	-	18,305	25,903	-	25,903
Reinsurers' balances payable	263,825	-	263,825	107,488	-	107,488
Gross unearned premiums	1,014,635	-	1,014,635	985,437	-	985,437
Unearned reinsurance commission	63,623	-	63,623	31,161	-	31,161
Gross outstanding claims	576,100	-	576,100	466,610	-	466,610
Claims incurred but not reported	611,555	-	611,555	751,200	-	751,200
Premium deficiency reserve	37,012	-	37,012	20,529	-	20,529
Other technical reserves	13,384	-	13,384	14,894	-	14,894
Due to a related party	322	-	322	17,080	-	17,080
End of service indemnities	18,832	-	18,832	27,451	-	27,451
Surplus distribution payable	94,453	-	94,453	112,561	-	112,561
Zakat & income tax	-	18,745	18,745	-	13,188	13,188
Accrued commission income payable to SAMA	-	26,541	26,541	-	23,864	23,864
<u>TOTAL LIABILITIES</u>	2,956,712	46,299	3,003,011	2,756,526	38,206	2,794,732
<u>INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u>						
Fair values reserve gain on investments	433	-	433	181	-	181
Re-measurement of defined benefit liability – employees benefits	(5,159)	-	(5,159)	(5,159)	-	(5,159)
<u>TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS</u>	(4,726)	-	(4,726)	(4,978)	-	(4,978)
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	-	800,000	800,000	-	800,000	800,000
Statutory reserve	-	26,135	26,135	-	146,135	146,135
Accumulated losses	-	(105,643)	(105,643)	-	(256,482)	(256,482)
Fair values reserve gain on investments	-	40,370	40,370	-	21,480	21,480
<u>TOTAL SHAREHOLDERS' EQUITY</u>	-	760,862	760,862	-	711,133	711,133
<u>TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY</u>	2,951,986	807,161	3,759,147	2,751,548	749,339	3,500,887

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

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

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the three month period ended September 30					
	September 30, 2020 (Unaudited)			September 30, 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
<u>REVENUES</u>						
Gross premiums written						
-Direct	422,137	-	422,137	747,085	-	747,085
-Reinsurance	-	-	-	-	-	-
	422,137	-	422,137	747,085	-	747,085
Reinsurance premiums ceded						
-Local	(676)	-	(676)	(1,707)	-	(1,707)
-Abroad	(71,548)	-	(71,548)	(97,956)	-	(97,956)
	(72,224)	-	(72,224)	(99,663)	-	(99,663)
Excess of loss expenses – foreign	(13,802)	-	(13,802)	(11,907)	-	(11,907)
Net written premiums	336,111	-	336,111	635,515	-	635,515
Changes in unearned premiums, net	3,645	-	3,645	(122,504)	-	(122,504)
Net premiums earned	339,756	-	339,756	513,011	-	513,011
Re-insurance commissions	44,956	-	44,956	26,054	-	26,054
TOTAL REVENUES	384,712	-	384,712	539,065	-	539,065
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(533,404)	-	(533,404)	(458,200)	-	(458,200)
Expenses incurred related to claims	(10,368)	-	(10,368)	(5,683)	-	(5,683)
Hospital discount	16,373	-	16,373	22,031	-	22,031
Reinsurers' share of claims paid	169,396	-	169,396	91,898	-	91,898
Net claims and other benefits paid	(358,003)	-	(358,003)	(349,954)	-	(349,954)
Changes in outstanding claims, net	57,664	-	57,664	(45,363)	-	(45,363)
Changes in incurred but not reported claims, net	35,615	-	35,615	(12,579)	-	(12,579)
Net claims and other benefits incurred	(264,724)	-	(264,724)	(407,896)	-	(407,896)
Additional premium deficiency reserve	10,579	-	10,579	2,923	-	2,923
Other technical reserves	207	-	207	2,073	-	2,073
Policy acquisition costs	(23,606)	-	(23,606)	(27,332)	-	(27,332)
TOTAL UNDERWRITING COSTS AND EXPENSES	(277,544)	-	(277,544)	(430,232)	-	(430,232)
NET UNDERWRITING INCOME/ (LOSS)	107,168	-	107,168	108,833	-	108,833
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
(Allowance for) / reversal of doubtful debts	(13,500)	-	(13,500)	-	-	-
Legal case provision	-	-	-	(13,320)	-	(13,320)
General and administrative expenses	(96,526)	(1,274)	(97,800)	(95,612)	(2,032)	(97,644)
Special commission income	1,049	2,773	3,822	3,927	3,257	7,184
Income from investment in associate	-	-	-	-	-	-
Dividend income	-	1,700	1,700	-	-	-
Realized gain on available for sale investment	-	4,769	4,769	-	-	-
Other income	1,434	-	1,434	676	-	676
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(107,543)	7,968	(99,575)	(104,329)	1,225	(103,104)
<u>NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	(375)	7,968	7,593	4,504	1,225	5,729
Shareholders' appropriation from deficit / surplus	375	(375)	-	(4,054)	4,054	-
<u>NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX</u>	-	7,593	7,593	450	5,279	5,729
Zakat and income tax						
Current zakat and income tax	-	(3,522)	(3,522)	-	(2,614)	(2,614)
Deferred tax	-	(490)	(490)	-	120	120
Net income for the period	-	3,581	3,581	450	2,785	3,235

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

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

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	For the nine month period ended Septemebr 30					
	September 30, 2020 (Unaudited)			September 30, 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
-Direct	1,934,050	-	1,934,050	2,114,786	-	2,114,786
-Reinsurance	-	-	-	-	-	-
	1,934,050	-	1,934,050	2,114,786	-	2,114,786
Reinsurance premiums ceded						
-Local	(1,291)	-	(1,291)	(4,596)	-	(4,596)
-Abroad	(810,945)	-	(810,945)	(550,226)	-	(550,226)
	(812,236)	-	(812,236)	(554,822)	-	(554,822)
Excess of loss expenses – foreign	(42,055)	-	(42,055)	(35,905)	-	(35,905)
Net written premiums	1,079,759	-	1,079,759	1,524,059	-	1,524,059
Changes in unearned premiums, net	49,036	-	49,036	28,376	-	28,376
Net premiums earned	1,128,795	-	1,128,795	1,552,435	-	1,552,435
Re-insurance commissions	133,811	-	133,811	70,109	-	70,109
TOTAL REVENUES	1,262,606	-	1,262,606	1,622,544	-	1,622,544
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(1,382,515)	-	(1,382,515)	(1,348,941)	-	(1,348,941)
Expenses incurred related to claims	(24,009)	-	(24,009)	(19,268)	-	(19,268)
Hospital discount	56,173	-	56,173	64,327	-	64,327
Reinsurers' share of claims paid	372,300	-	372,300	223,601	-	223,601
Net claims and other benefits paid	(978,051)	-	(978,051)	(1,080,281)	-	(1,080,281)
Changes in outstanding claims, net	(27,950)	-	(27,950)	(146,677)	-	(146,677)
Changes in incurred but not reported claims, net	169,168	-	169,168	(87,948)	-	(87,948)
Net claims and other benefits incurred	(836,833)	-	(836,833)	(1,314,906)	-	(1,314,906)
Additional premium deficiency reserve	(16,483)	-	(16,483)	27,214	-	27,214
Other technical reserves	1,510	-	1,510	(3,185)	-	(3,185)
Policy acquisition costs	(79,794)	-	(79,794)	(84,467)	-	(84,467)
TOTAL UNDERWRITING COSTS AND EXPENSES	(931,600)	-	(931,600)	(1,375,344)	-	(1,375,344)
NET UNDERWRITING INCOME/ (LOSS)	331,006	-	331,006	247,200	-	247,200
OTHER OPERATING (EXPENSES)/ INCOME						
(Allowance for) / reversal of doubtful debts	(38,115)	-	(38,115)	20,521	-	20,521
Legal case provision	-	-	-	(24,246)	-	(24,246)
General and administrative expenses	(277,318)	(4,070)	(281,388)	(266,824)	(5,880)	(272,704)
Special commission income	4,790	7,959	12,749	14,485	12,972	27,457
Income from investment in associate	-	2,211	2,211	-	-	-
Dividend income	-	4,110	4,110	-	-	-
Realized gain on available for sale investment	-	5,386	5,386	-	-	-
Other income	9,949	-	9,949	19,254	-	19,254
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(300,694)	15,596	(285,098)	(236,810)	7,092	(229,718)
NET INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	30,312	15,596	45,908	10,390	7,092	17,482
Shareholders' appropriation from surplus	(27,281)	27,281	-	(9,351)	9,351	-
NET INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX	3,031	42,877	45,908	1,039	16,443	17,482
Zakat and income tax						
Current zakat and income tax	-	(10,568)	(10,568)	-	(7,906)	(7,906)
Deferred tax	-	(1,470)	(1,470)	-	(1,961)	(1,961)
Net income for the period	3,031	30,839	33,870	1,039	6,576	7,615

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	For the three month period ended September 30 (Unaudited)					
	SAR '000					
	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income for the period	-	3,581	3,581	450	2,785	3,235
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	71	24,626	24,697	74	3,074	3,148
<u>TOTAL COMPREHENSIVE INCOME</u>	71	28,207	28,278	524	5,859	6,383
<u>Reconciliation:</u>						
<u>Less:</u> Net income attributable to insurance operations and transferred to surplus distribution payable.			-			(450)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			28,278			5,933

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	For the nine month period ended September 30 (Unaudited)					
	SAR '000					
	2020			2019		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net income for the period	3,031	30,839	33,870	1,039	6,576	7,615
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	252	18,890	19,142	74	8,032	8,106
<u>TOTAL COMPREHENSIVE INCOME</u>	3,283	49,729	53,012	1,113	14,608	15,721
<u>Reconciliation:</u>						
<u>Less:</u> Net income attributable to insurance operations and transferred to surplus distribution payable.			(3,031)			(1,039)
<u>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</u>			49,981			14,682

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

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 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 nine month period ended September 30, 2020	For the nine month period ended September 30, 2019		For the nine month period ended September 30, 2020	For the nine month period ended September 30, 2019	
	Unaudited	Unaudited		Unaudited	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period before zakat and income tax	3,031	42,877	45,908	1,039	16,443	17,482
Adjustments for non-cash items:						
Depreciation and amortization	7,168	-	7,168	6,126	-	6,126
Allowance for / (Reversal of) doubtful debts	38,115	-	38,115	(20,521)	-	(20,521)
Special commission income	(4,790)	(7,959)	(12,749)	(14,485)	(12,972)	(27,457)
Income from investment in associate	-	(2,211)	(2,211)	-	-	-
Realized gain on available for sale investment	-	(5,386)	(5,386)	-	-	-
Provision for end of service indemnities	5,551	-	5,551	-	-	-
	49,075	27,321	76,396	(27,841)	3,471	(24,370)
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(128,733)	-	(128,733)	(77,886)	-	(77,886)
Reinsurers' share of unearned premiums	(78,234)	-	(78,234)	(95,670)	-	(95,670)
Reinsurers' share of outstanding claims	(81,540)	-	(81,540)	(73,857)	-	(73,857)
Reinsurers' share of claims Incurred but not reported	(29,524)	-	(29,524)	(106,841)	-	(106,841)
Deferred policy acquisition costs	(3,441)	-	(3,441)	(3,765)	-	(3,765)
Prepayment and other assets	134,583	419	135,002	(9,440)	(896)	(10,336)
Deposit against letter of guarantee	4,262	-	4,262	(234,611)	-	(234,611)
Right of use assets	7,027	-	7,027	(25,109)	-	(25,109)
Accounts and commission payable	(17,845)	-	(17,845)	(5,145)	-	(5,145)
Accrued expenses and other liabilities	66,299	(141)	66,158	(74,672)	(1,805)	(76,477)
Lease liability	(7,598)	-	(7,598)	21,421	-	21,421
Reinsurers' balances payable	156,337	-	156,337	158,210	-	158,210
Gross unearned premiums	29,198	-	29,198	67,295	-	67,295
Unearned reinsurance commission	32,462	-	32,462	19,451	-	19,451
Gross outstanding claims	109,490	-	109,490	220,534	-	220,534
Claims incurred but not reported	(139,645)	-	(139,645)	194,788	-	194,788
Premium deficiency reserves	16,483	-	16,483	(27,215)	-	(27,215)
Other technical reserves	(1,510)	-	(1,510)	3,185	-	3,185
Due from related party	(1,931)	-	(1,931)	4,396	-	4,396
Due to related party	(16,758)	-	(16,758)	-	-	-
	98,457	27,599	126,056	(72,772)	770	(72,002)
Surplus paid to policyholders	(21,139)	-	(21,139)	-	-	-
Payment of employees end of service indemnities	(14,171)	-	(14,171)	(5,111)	-	(5,111)
Zakat and income tax paid	-	(5,011)	(5,011)	-	(28,087)	(28,087)
Net cash from / (used in) operating activities	63,147	22,588	85,735	(77,883)	(27,317)	(105,200)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividend from investment in an associate	-	3,601	3,601	-	4,897	4,897
Changes in investment in an associate	-	(2,211)	(2,211)	-	(2,683)	(2,683)
Interest on statutory deposit	-	2,677	2,677	-	2,365	2,365
Interest payable on statutory deposit	-	(2,677)	(2,677)	-	(2,365)	(2,365)
(Purchase) / disposal of available for sale investments	-	(89,536)	(89,536)	15,000	(251,042)	(236,042)
Special commission income	3,999	2,532	6,531	14,485	12,972	27,457
(Placements) / proceeds in / from short term deposits	(28,165)	156,572	128,407	(503,861)	(82,422)	(586,283)
(Additions) / disposal in property, equipment and intangible	(8,428)	-	(8,428)	(1,833)	-	(1,833)
Net cash (used in) / generated from investing activities	(32,594)	70,958	38,364	(476,209)	(318,278)	(794,487)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders operation	40,125	(40,125)	-	(59,975)	59,975	-
Net cash generated / (used in) from financing activities	40,125	(40,125)	-	(59,975)	59,975	-
Net change in cash and cash equivalents	70,678	53,421	124,099	(614,067)	(285,620)	(899,687)
Cash and cash equivalents, beginning of the period	177,359	33,537	210,896	647,289	410,183	1,057,472
Cash and cash equivalents, end of the period	248,037	86,958	334,995	33,222	124,563	157,785

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 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 11 Rabi ul Awal 1442H, corresponding to 28 October 2020G.