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

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

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2019**

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

Unaudited Interim Condensed Financial Information and Independent Auditors' Review Report
For the three month period ended 31 March 2019

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (a Saudi Joint Stock Company) (the "Company") as at 31 March 2019 and the related interim condensed statements of income and comprehensive income, changes in equity and cash flows for the three 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 modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

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

BASIS FOR QUALIFIED CONCLUSION

- 1) As disclosed in note 11 to the accompanying interim condensed financial information, all reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 7 amounting to Saudi Riyals 115.9 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions. Accordingly, management is currently unable to provide a complete list of all related parties balances and transactions which impacts both the presentation and disclosure of related party balances and transactions. Consequently, we were unable to determine whether any adjustments to the presentation and disclosure of the related party balances and transactions were necessary in the accompanying interim condensed financial information.
- 2) As disclosed in note 3, the Company is accounting for its reinsurance transactions related to the general line of business based on their understanding of the contractual terms of the reinsurance agreements. However, such accounting of reinsurance transactions may be subject to different interpretations. As a result, the Company's interim condensed financial information may require adjustments, if the terms of reinsurance agreements are interpreted differently. Management is still securing clarity on the terms of the reinsurance agreements. In the absence of information in this regard, we were unable to determine whether adjustments would be required in the accompanying interim condensed financial information.

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

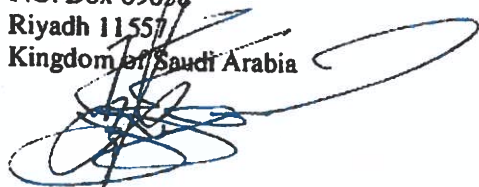
QUALIFIED CONCLUSION

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

EMPHASIS OF MATTERS

Without further qualifying our conclusion, we draw attention to note 2 to the accompanying financial statements, which details various communications from SAMA to the Company. The Company did not meet the solvency margin requirements as at 31 March 2019. The deficiency in solvency margin along with other matters as set forth in note 2 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 since during the year 2018 the Company had successfully issued SAR 400 million in right shares improving the interim condensed financial position of the Company and based on management's assessment on the company abilities to continue as a going concern.

Al-Bassam & Co.
Allied Accountants
P.O. Box 69638
Riyadh 11557
Kingdom of Saudi Arabia



Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337



AlAzem & AlSudairy
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia



Abdullah M. AlAzem
Certified Public Accountant
License No. 335

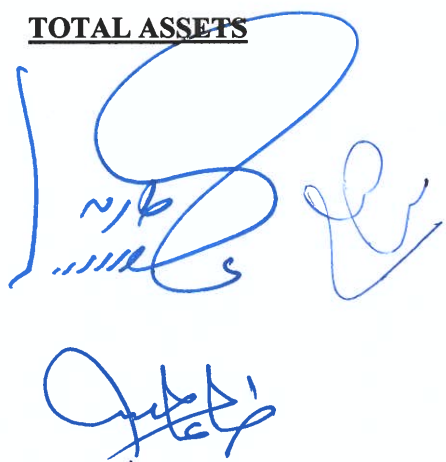
13 May 2019
8 Ramadan 1440H



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

		SAR 000's	
	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Assets			
Cash and cash equivalents	5	1,147,895	1,122,429
Short term deposit	6	159,565	-
Premium and reinsurers' receivable - net	7	694,074	681,078
Reinsurers' share of unearned premiums	9b	521,139	282,901
Reinsurers' share of outstanding claims	9a	287,090	294,162
Reinsurers' share of claims incurred but not reported	9a	159,572	126,644
Deferred policy acquisition costs		79,904	76,227
Due from a related party	11	63	63
Prepayments and other assets		302,180	134,273
Available for sale investments	8	299,655	74,151
Right of used assets, net		28,550	-
Property and equipment, net		17,584	19,158
Land		30,000	30,000
Intangible assets, net		2,709	2,484
Statutory deposit	12	120,000	120,000
Investment in an associate	10	9,872	9,872
Accrued commission on statutory deposit		19,507	19,507
Goodwill	20	480,000	480,000
<u>TOTAL ASSETS</u>		4,359,359	3,472,949



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT MARCH 31, 2019

		SAR 000's	
	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Liabilities			
Accrued expenses and other liabilities		190,634	158,493
Accounts and commission payable		107,934	124,860
Lease liability		25,236	-
Reinsurers' balances payable		337,806	50,410
Gross unearned premiums	9b	1,649,415	1,236,849
Unearned reinsurance commission		57,605	22,205
Gross outstanding claims	9a	368,221	325,214
Claims incurred but not reported	9a	693,759	624,910
Premium deficiency reserve	9a	41,827	51,052
Other technical reserves	9a	13,748	9,759
Due to related party	11	19,830	17,600
End of service indemnities		17,804	25,461
Surplus distribution payable		112,167	111,566
Zakat and income tax	18	30,237	27,184
Accrued commission income payable to SAMA		19,507	19,507
Total Liabilities		3,685,730	2,805,070
Equity			
Share capital	15	800,000	800,000
Statutory reserve	17	146,135	146,135
Accumulated losses		(269,547)	(273,529)
Re-measurement of defined benefit liability – employees benefits		(4,285)	(4,285)
Fair values gain reserve on available for sale investments	8	1,326	(442)
TOTAL EQUITY		673,629	667,879
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>4,359,359</u>	<u>3,472,949</u>

Commitments and Contingencies

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The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

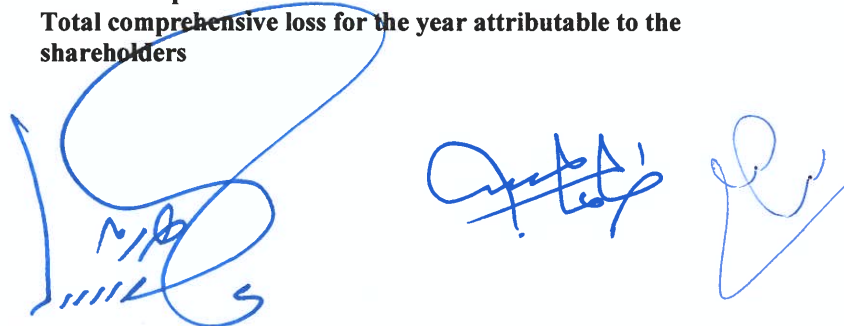
		SAR 000's	
		For the three month period ended	
Note		31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Revenues			
Gross premiums written			
-Direct		1,077,243	412,105
-Reinsurance		-	1,511
		1,077,243	413,616
Reinsurance premiums ceded			
-Local		(1,837)	(866)
-Abroad		(380,407)	(59,836)
		(382,244)	(60,702)
Excess of loss premiums		(11,942)	(4,166)
Net premiums written		683,057	348,748
Changes in unearned premiums, net		(174,328)	134,923
Net premiums earned		508,729	483,671
Reinsurance commission income		21,370	15,993
Total Underwriting Revenues		530,099	499,664
Underwriting Costs and Expenses			
Gross claims paid		(449,024)	(546,793)
Expenses incurred related to paid claims		(5,057)	(5,247)
Early settlement discount		20,997	20,804
Reinsurers' share of gross claims paid		75,987	59,781
Net claims and other benefits paid		(357,097)	(471,455)
Changes in outstanding claims, net		(50,079)	15,146
Changes in incurred but not reported, net		(35,921)	35,675
Net claims and other benefits incurred		(443,097)	(420,634)
Premium deficiency reserve		9,225	-
Other technical reserves		(3,989)	1,331
Policy acquisition costs		(21,261)	(36,948)
Total Underwriting Costs and Expenses		(459,122)	(456,251)
NET UNDERWRITING INCOME		70,977	43,413
Other Operating (Expenses)/Income			
Reversal of doubtful debts	7	11,183	36
General and administrative expenses		(69,788)	(60,273)
Third party administration fees		(14,880)	(12,528)
Special commission income		8,451	3,764
Other income		1,693	2,316
Total Other Operating Expenses		(63,341)	(66,685)
Net income / (loss) for the period		7,636	(23,272)
Net income attributed to the insurance operations		(601)	-
Net income / (loss) for the period attributable to the shareholders		7,035	(23,272)
Earnings / (Loss) per share			
Earnings / (loss) per share stated as SAR per share (31 March 2018: restated)	14	0.09	(0.50)

The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	Note	SAR 000's	
		For the three month period ended	
		31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Net Income / (loss) for the period		7,035	(23,272)
Other comprehensive loss:			
<i>Items that are or may be reclassified to condensed statement of income in subsequent period</i>			
<u>Available for sale investments</u>			
- Net change in fair values	8	1,768	(30)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR PERIOD		8,803	(23,302)
Total comprehensive income / (loss) attributed to the insurance operations		601	(11)
Total comprehensive loss for the year attributable to the shareholders		9,404	(23,313)



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**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019**

The accompanying notes 1 to 23 form an integral part of these interim condensed

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

		SAR 000's	
		For the three month period ended	
Note		31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net income / (loss) for the period	7,636	(23,272)
	Adjustments for non-cash items:		
	Depreciation and amortization	2,032	2,468
7	Allowance for doubtful debts	(11,183)	(36)
	Special commission income	(8,451)	(3,764)
	Provision for end of service indemnities	(5,019)	(5,566)
		(14,985)	(30,170)
	<u>Changes in operating assets and liabilities:</u>		
	Premiums and reinsurers' receivable	(1,813)	(11,119)
	Reinsurers' share of unearned premiums	(238,238)	70,904
	Reinsurers' share of outstanding claims	7,072	(97,765)
	Reinsurers' share of claims incurred but not reported	(32,928)	(16,807)
	Deferred policy acquisition costs	(3,677)	11,978
	Deposit against letter of guarantee	(7,917)	(12,136)
	Prepayments and other assets	(167,907)	(2,243)
	Right of used assets	(28,550)	-
	Accounts and commission payable	(16,926)	(19,932)
	Accrued expenses and other liabilities	32,141	(81,785)
	Lease liability	25,236	-
	Reinsurers' balances payable	287,396	(205,827)
	Gross unearned premiums	412,566	(5,408)
	Unearned reinsurance commission	35,400	82,619
	Gross outstanding claims	43,007	(18,868)
	Claims incurred but not reported	68,849	(2,270)
	Premium deficiency reserves	(9,225)	939
	Other technical reserves	3,989	(3,198)
	Due to a related party	2,230	3,754
		395,720	(337,334)
	Payment of employees end of service indemnities	(2,638)	(1,847)
	Zakat and income tax paid	-	(2,169)
	Net cash generated from / (used in) operating activities	393,082	(341,350)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Addition in available for sale investment	(223,736)	-
	Special commission income	8,451	3,764
	Proceeds from short term deposits	(159,565)	81,250
	Additions in property, equipment and intangible	(682)	(1,441)
	Net cash (used in) / generated from investing activities	(375,532)	83,573
	Net change in cash and cash equivalents	17,550	(257,777)
	Cash and cash equivalents, beginning of the year end	1,057,472	353,960
	Cash and cash equivalents, end of the period	1,075,022	96,183
NON-CASH INFORMATION			
	Change in fair value of available for sale investments	1,768	(30)

The accompanying notes 1 to 23 form an integral part of these interim condensed financial information.

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

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

2. BASIS OF PREPARATION

(a) Basis of presentation

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

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

Statement of compliance

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

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

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.

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 three month period ended 31 March 2019 amounted to SR 6,012 thousand (31 March 2018: deficit of SR 22,911 thousand). Accordingly, 90% of the insurance operations' surplus amounting to SR 5,411 thousand was transferred to shareholders' operations for the period, leaving a surplus payable to policyholders of SR 601 thousand (31 March 2018: the full amount of SR 22,911 thousand was transfer to shareholders because of the deficit).

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

2. BASIS OF PREPARATION (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 21 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 interim condensed statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

The accompanying interim condensed financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as of and for the year ended 31 December 2018.

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

(b) Critical accounting judgments, estimates and assumption

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

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

In preparing this condensed financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statement as at and for the year ended 31 December 2018.

(c) Seasonality of operation

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

Going concern

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

Further, during the period ended 30 June 2018, the Company submitted its request to Capital Market Authority to proceed with the rights issue on 28 June 2018 and subsequently in the period ended 30 September 2018 Company obtained CMA approval to issue right shares as at 15 August 2018. The shareholders of the Company has approved the issue of right shares as at 10 September 2018. Subsequently, on 17 October 2018 Company has successfully right SR 400 million right shares.

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 information have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant recoveries from major policyholders, reinsurers and related parties and other cost saving measures

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

(ii) Premium deficiency reserve

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

iii) Impairment losses on receivables

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

iv) Goodwill

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

v) Reinsurance

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

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

4. CHANGE IN ACCOUNTING POLICIES

Standards issued and effective

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 16	Leases	1 January 2019

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4%. The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	SR
Total operating lease commitments as at 31 December 2018	27,116,185
Discounted using the lessee's incremental borrowing rate at date of initial application	(1,446,645)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	<u>25,669,540</u>

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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4. CHANGE IN ACCOUNTING POLICIES (Continued)

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

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

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 2021 which was further delay for 1 year. 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 statement 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 that may occur before the new insurance contracts standard is applied.

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, 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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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) (Continued)

5. CASH AND CASH EQUIVALENTS

	SAR'000	
	Insurance operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Cash and bank balances	130,389	208,789
Deposits maturing within 3 months from the acquisition date	725,417	438,500
Cash and cash equivalent in the statement of cash flows	855,806	647,289
Deposit against letter of guarantee	72,873	64,957
	928,679	712,246

	SAR'000	
	Shareholders' operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Cash and bank balances	14,394	6,314
Deposits maturing within 3 months from the acquisition date	204,822	403,869
	219,216	410,183
Cash and cash equivalent in the statement of cash flows	1,234,587	1,057,472
Cash and bank balances	1,147,895	1,122,429

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.

Short-term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 2.85% per annum (2018: 3.22% 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 favour of the Company's customers and service providers. Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (are restricted in nature).

6. SHORT TERM DEPOSITS

Short term deposits are placed with counterparties that have credit ratings equivalent to A+ 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 2.97% per annum (2018: nil).

The company does not have any short term deposit as at 31 December 2018.

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

7. PREMIUMS AND REINSURERS' RECEIVABLE - NET

Receivables comprise amounts due from the following:

	SAR'000	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Policyholders	515,953	450,663
Brokers and agents	370,836	419,703
Premiums receivables	886,789	870,366
Less: Allowance for doubtful debts	(302,399)	(313,582)
	584,390	556,784
Reinsurers' receivable	324,744	339,354
Less: Allowance for doubtful debts	(215,060)	(215,060)
	109,684	124,294
Premium and reinsurers' receivable – net	694,074	681,078

As at 31 March 2019, the movement for provision for doubtful debts of premiums and reinsurers' receivable was as follows:

	SAR'000	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Balance at the beginning of the period	528,642	512,441
(Reversal) / provision for the period / year	(11,183)	27,074
Write off during the period	-	(10,873)
Ending balance	517,459	528,642

As disclosed in note 11, the Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included above in reinsurance balances receivable amounting to Saudi Riyals 115.9 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties in note 11.

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments are classified as set out below:

	SAR'000	
	Insurance operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Mutual funds	-	-
Sukuk	15,000	25,000
	15,000	25,000

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

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

	SAR'000	
	Shareholders' operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Bond	37,288	47,228
Sukuk	245,444	-
Equities	1,923	1,923
	284,655	49,151
Total	299,655	74,151

Movement in available for sale investments balance is as follows:

	SAR'000	
	Insurance operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
At the beginning of the period / year	25,000	28,358
Sold during the period / year	(10,000)	(3,379)
	15,000	24,979
Net change in fair values	-	21
At the end of the period / year	15,000	25,000

The cumulative change in fair values of available for sale investments for insurance operations amounting to nil (31 December 2018: SR 327 thousand) is presented within insurance operations' surplus' in the statement of financial position.

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

	SAR'000	
	Shareholders' operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
At the beginning of the period / year	49,151	125,018
Purchase during the period	243,736	-
Sold during the period / year	(10,000)	(75,665)
	282,887	49,353
Net change in fair values	1,768	(202)
At the end of the period / year	284,655	49,151

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 1,326 thousand (31 December 2018: SR (442) thousand) is presented within shareholders' equity in the statement of financial position.

Fair value

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

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

The unlisted security of SR1.92 million (31 December 2018: SR 1.92 million) held as part of Company's shareholder operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the period ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

Fair value (continued)

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

Determination of fair value and fair value hierarchy

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

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

<i>SR'000</i>			
Insurance operations – Fair Value			
31 March 2019 (Unaudited)			
<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>			
Sukuk	-	15,000	-
<i>Total available for sale investments</i>	-	15,000	-

<i>SR'000</i>			
Insurance operations – Fair Value			
31 December 2018 (Audited)			
<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>			
Sukuk	-	25,000	-
<i>Total available for sale investments</i>	-	25,000	-

<i>SR'000</i>			
Shareholders' operations – Fair Value			
31 March 2019 (Unaudited)			
<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>			
Mutual funds	-	-	-
Bonds	-	37,288	-
Sukuk	-	245,444	-
Equities	-	-	1,923
<i>Total available for sale investments</i>	-	282,732	1,923

<i>SR'000</i>			
Shareholders' operations – Fair Value			
31 December 2018 (Audited)			
<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>			
Bonds	-	37,228	-
Sukuk	-	10,000	-
Equities	-	-	1,923
<i>Total available for sale investments</i>	-	47,228	1,923

During the three month periods ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

9. TECHNICAL RESERVES

a) Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	SAR'000	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Outstanding claims	368,221	325,214
Claims incurred but not reported	693,759	624,910
Premium deficiency reserve	41,827	51,052
Other technical reserves	13,748	9,759
	1,117,555	1,010,935
Less:		
Reinsurers' share of outstanding claims	287,090	294,162
Reinsurers' share of claims Incurred but not reported	159,572	126,644
	446,662	420,806
Net outstanding claims and reserves	670,893	590,129

b) Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	SAR'000		
	Three month period ended 31 March 2019 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	1,236,849	(282,901)	953,948
Premium written during the period	1,077,243	(394,186)	683,057
Premium earned during the period	(664,677)	155,948	(508,729)
Balance as at the end of the period	1,649,415	(521,139)	1,128,276
	SAR'000		
	Year ended 31 December 2018 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	1,405,228	(464,063)	941,165
Premium written during the year	2,069,473	(266,003)	1,803,470
Premium earned during the year	(2,237,852)	447,165	(1,790,687)
Balance as at the end of the year	1,236,849	(282,901)	953,948

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

10. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 9,872 thousand (a 25% equity interest) (31 December 2018: SR 9,872), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

Movement in investment in an associate is as follows:

	SAR'000	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
At the beginning of the period / year	9,872	9,341
Dividend received from investment in an associate	-	(4,486)
Change in investment in an associate	-	5,017
At the end of the period / year	9,872	9,872

Al-Waseel for Electronic Transportation

	SAR'000					
As of date	Country of Incorporation	Assets	Liabilities	Revenue	Profit	% Interest Held
31/12/2018	Saudi Arabia	56,841	10,590	38,590	19,216	25%

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties	Nature of transaction	Amount of transaction for the period / year end				Balance	
		SR'000					
		31 March 2019	31 March 2018	31 March 2019	31 March 2019	31 December 2018	31 December 2018
		Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
Due from a related party							
Medgulf BSC - Head office account (<i>major shareholder</i>)	-Claims recoveries on behalf of major shareholder	-	-	-	-	-	-
	-Balance due from at year end	-	-	2,453		2,453	
	-Allowance for doubtful debts	-	-	(2,390)		(2,390)	
	-Net balance due from at year end	-	-	63		63	
	Total due from related party			63		63	
Due to a related party							
Medivisa KSA (<i>affiliate</i>)	-Insurance premium for employees of fellow subsidiary	2,712	2,877	-	-	-	-
	-Third party administration fees	22,406	9,340	-	-	-	-
	-Claim incurred	16	31	-	-	-	-
	-Payment received	-	1	-	-	-	-
	-Premium refundable	73	192	-	-	-	-
	-Payment on third party administration fees	17,500	9,886	-	-	-	-
	-Balance due to at year end	-	-	19,830		17,600	
	Total due to related party			19,830		17,600	

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period / year end		Balance	
		SR'000			
		31 March 2019	31 March 2018	31 March 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits	32,259	1,272	3,191	35,450
	-Statutory deposit (refer note 11.a (i))	-	-	139,507	139,507
	-Gross written premiums	414	-	-	-
	-Premiums (refundable)	-	-	(819)	(1,016)
	-Claims incurred / adjustment	-	65	-	-
	-Outstanding claims	-	-	(580)	(580)
Saudi Orix (Shareholder of the Medgulf BSC)	-Gross written premiums	1,441	2,727	-	-
	-Premiums receivable	-	-	458	246
	-Allowance for doubtful debts	-	-	(6)	(10)
	-Net Balance receivable at year end	-	-	452	236
	-Claims incurred	(1,115)	(2,091)	-	-
	-Outstanding claims	-	-	(229)	(166)
	-Medical claim Jordan / balance	107	598	699	570
-Medical claim Lebanon / balance	(345)	149	764	1,109	
-Medical claim Egypt / balance	-	12	160	160	

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period / year end		Balance	
		SR'000			
		31 March 2019	31 March 2018	31 March 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
Al Istithmar Capital (subsidiary of SIB-founding shareholder)	-Discretionary portfolio arrangement (refer 11.a (ii))	-	155	-	-
	-Current account	1,912	18,505	3,117	1,205
	-Premiums refundable	-	-	-	(38)
Al Andalos Property (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	1	1
	-Allowance for doubtful debts			(1)	-
	-Net Balance receivable at year end			-	1
Saudi Electricity Company (Under common directorship)	-Gross written premiums	603,041	(74)	-	-
	-Premiums receivable	-	-	89,835	11,722
	-Allowance for doubtful debts	-	-	(2,861)	(1,756)
	-Net Balance receivable at year end	-	-	86,974	9,966
	-Claims incurred	(15,065)	(7,999)	-	-
	-Outstanding claims	-	-	(52)	(18)
Batic Investments and Logistics Co (Under common directorship)	-Gross written premiums	-	(3)	-	-
	-Premiums receivable	-	-	24	24
	-Allowance for doubtful debts	-	-	(18)	(18)
	-Net Balance receivable year end	-	-	6	6
	-Claims incurred	(25)	(123)	-	-
Mohammed Saad Dawood (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	1	1
Bayan Credit Bureau (Under common directorship)	-Gross written premiums	26	29	-	-
	-Premiums receivable	-	-	(12)	(38)
	-Claims incurred	(120)	(114)	-	-

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period / year end		Balance	
		SR'000			
		31 March 2019	31 March 2018	31 March 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
Medgulf BSC (major shareholder)	-Claim recoveries	-	7	-	-
	-Reinsurance recovery (refer 11.a(iii))	-	-	5,962	5,962
	-Allowance for doubtful debts	-	-	(4,471)	(4,471)
	-Net balance receivable at year end	-	-	1,491	1,491
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at year end	-	-	3,856	3,856
	-Allowance for doubtful debts	-	-	(3,856)	(3,856)
	-Net balance due from at year end	-	-	-	-
Saudi Fransi Capital (Under common directorship)	-Gross written premiums	-	3,763	-	-
	-Premium receivable	-	-	(13)	253
	-Allowance for doubtful debts	-	-	-	(66)
	-Net balance receivable at year end	-	-	(13)	187
	-Claims incurred	(807)	(882)	-	-
	-Outstanding claims	-	-	(2)	-
Falacon Plastic Production (Under common directorship)	-Gross written premiums	2	-	-	-
	-Premiums receivable	-	-	1	493
	-Claims incurred	264	-	-	-
	-Outstanding claims	-	-	-	-

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the year end		Balance	
		SR'000			
		31 March 2019	31 March 2018	31 March 2019	31 December 2018
		Unaudited	Unaudited	Unaudited	Audited
Other related parties transactions and balances – due from / (due to)					
Addison Bradley International / Medgulf Lebanon (affiliate)	-Reinsurance recovery	-	-	-	-
	-Balance receivable at year end	-	-	30,265	30,265
	-Allowance for doubtful debts	-	-	(30,242)	(30,242)
	-Net balance due from at year end	-	-	23	23
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the year	-	274	-	-
	-Reinsurance recoveries (Refer 11.a (iv))	15	-	-	-
	-Balance due from at year end	-	-	16,267	16,252
	- Allowance for doubtful debts	-	-	(10,158)	(10,106)
	- Net balance due from at year end	-	-	6,109	6,146
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at year end	-	-	1,472	1,472
	- Allowance for doubtful debts	-	-	(1,472)	(1,472)
	- Net balance due from at year end (Refer 11.a (v))	-	-	-	-

11.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 3.40% per annum

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

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

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

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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

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

11.b Compensation of key management personnel

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

	SR'000		
	31 March 2019 (Unaudited)		
	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	-	10,200
Allowances	-	105	-
Annual remuneration	-	975	-
End of service indemnities	-	-	2,144
	-	1,080	12,344
	SR'000		
	31 December 2018 (Audited)		
	BOD members (Executives)	BOD members (Non-Executive)	Top Executives including the CEO and CFO
Salaries and compensation	-	85	7,260
Allowances	-	480	-
Annual remuneration	-	3,394	-
End of service indemnities	-	-	1,863
	-	3,959	9,123

11.c. All reinsurance treaties up to the underwriting year 2014 were managed by the Medgulf Group Corporate Reinsurance Center ("CRC"), a related party, who dealt with the Company's transactions, along with those of other related parties, on a consolidated basis with the reinsurers and brokers. All transactions with reinsurers and brokers were routed through CRC and the settlement of balances with these reinsurers and brokers were also made by CRC. The Company, together with CRC, have now initiated an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is still on-going and on completion certain parties included in the policyholders' and reinsurance balances receivable under note 7 amounting to Saudi Riyals 115.9 million may be identified as receivable from related parties and therefore may need to be disclosed under due from related parties. The underlying transactions with such related parties will then also require disclosure under related party transactions.

12. STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5%, and accordingly, the Company has transferred the same to arrive at 15% statutory deposit. This statutory deposit cannot be withdrawn without the consent of SAMA. During the year 2018, the company increased its paid capital to SR 800 million by right issue shares. After the aforementioned amendments to the capital, the statutory deposit is currently maintained at 15% of the new paid up capital, SR 800 million, amounting to SR 120 million. The Statutory deposit is placed at the commission rate of 3.4% per Annum (31 December 2018: 2.05%)

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

13. SEGMENTAL INFORMATION

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

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

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

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

SAR'000						
As at 31 March 2019 (Unaudited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Assets						
Reinsurers' share of unearned premiums	171,008	64,967	285,164	521,139	-	521,139
Reinsurers' share of outstanding claims	16,945	(22,259)	292,404	287,090	-	287,090
Reinsurers' share of claims Incurred but not reported	31,235	54,749	73,588	159,572	-	159,572
Deferred policy acquisition costs	55,739	10,556	13,609	79,904	-	79,904
Unallocated assets				2,144,473	1,167,181	3,311,654
Total assets				3,192,178	1,167,181	4,359,359
SAR'000						
As at 31 March 2019 (Unaudited)						
Operating segments	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Liabilities						
Gross unearned premiums	1,106,419	224,547	318,449	1,649,415	-	1,649,415
Unearned reinsurance commission	26,505	14,997	16,103	57,605	-	57,605
Gross outstanding claims	182,256	(131,624)	317,589	368,221	-	368,221
Claims incurred but not reported	363,902	248,651	81,206	693,759	-	693,759
Premium deficiency reserves	38,168	-	3,659	41,827	-	41,827
Other technical reserves	2,275	4,951	6,522	13,748	-	13,748
Unallocated liabilities and insurance operations' surplus				807,508	53,647	861,155
Total liabilities and insurance operations' surplus				3,632,083	53,647	3,685,730

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

13. SEGMENTAL INFORMATION (Continued)

Operating segments	SAR'000					
	As at 31 December 2018 (Audited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Assets						
Reinsurers' share of unearned premiums	-	50,680	232,221	282,901	-	282,901
Reinsurers' share of outstanding claims	-	(20,377)	314,539	294,162	-	294,162
Reinsurers' share of claims Incurred but not reported	-	48,733	77,911	126,644	-	126,644
Deferred policy acquisition costs	51,630	12,976	11,621	76,227	-	76,227
Unallocated assets				1,571,781	1,121,234	2,693,015
Total assets				2,351,715	1,121,234	3,472,949
Operating segments	SAR'000					
	As at 31 December 2018 (Audited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total - Insurance operations		
Liabilities						
Gross unearned premiums	736,330	241,343	259,176	1,236,849	-	1,236,849
Unearned reinsurance commission	-	10,136	12,069	22,205	-	22,205
Gross outstanding claims	110,072	(123,352)	338,494	325,214	-	325,214
Claims incurred but not reported	300,862	237,791	86,257	624,910	-	624,910
Premium deficiency reserves	48,466	-	2,586	51,052	-	51,052
Other technical reserves	-	4,721	5,038	9,759	-	9,759
Unallocated liabilities and insurance operations' surplus				485,570	49,511	535,081
Total liabilities and insurance operations' surplus				2,755,559	49,511	2,805,070

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

13. SEGMENTAL INFORMATION (Continued)

13. SEGMENTAL INFORMATION (Continued)

	SAR 000's					
	For the three month period ended 31 March 2019 (Unaudited)					
	Insurance operations				Shareholders ' operations	Total
Operating segments	Medical	Motor	Property & casualty	Total		
Revenues						
Gross premiums written						
-Direct	855,863	90,560	130,820	1,077,243	-	1,077,243
-Reinsurance	-	-	-	-	-	-
	855,863	90,560	130,820	1,077,243	-	1,077,243
Reinsurance premiums ceded						
-Local	-	-	(1,837)	(1,837)	-	(1,601)
-Abroad	(226,957)	(40,095)	(113,355)	(380,407)	-	(380,643)
	(226,957)	(40,095)	(115,192)	(382,244)	-	(382,244)
Excess of loss premiums	(8,500)	(2,130)	(1,312)	(11,942)	-	(11,942)
Net Premiums Written	620,406	48,335	14,316	683,057	-	683,057
Changes in unearned premiums, net	(199,082)	31,084	(6,330)	(174,328)	-	(174,328)
Net Premiums Earned	421,324	79,419	7,986	508,729	-	508,729
Reinsurance commission income	8,673	5,716	6,981	21,370	-	21,370
Total Revenues	429,997	85,135	14,967	530,099	-	530,099
Underwriting Costs and Expenses						
Gross claims paid	(310,644)	(85,275)	(53,105)	(449,024)	-	(449,024)
Expenses incurred related to claims	-	(3,796)	(1,261)	(5,057)	-	(5,057)
Early settlement discount	20,997	-	-	20,997	-	20,997
Reinsurers' share of claims paid	3,521	20,662	51,804	75,987	-	75,987
Net claims and other benefits paid	(286,126)	(68,409)	(2,562)	(357,097)	-	(357,097)
Change in outstanding claims, net	(55,239)	6,390	(1,230)	(50,079)	-	(50,079)
Change in IBNR, net	(31,806)	(4,844)	729	(35,921)	-	(35,921)
Net claims and other benefits incurred	(373,171)	(66,863)	(3,063)	(443,097)	-	(443,097)
Premium deficiency reserve	10,299	-	(1,074)	9,225	-	9,225
Other technical reserves	(2,275)	(231)	(1,483)	(3,989)	-	(3,989)
Policy acquisition costs	(11,108)	(6,112)	(4,041)	(21,261)	-	(21,261)
Total Underwriting Costs and Expenses	(376,255)	(73,206)	(9,661)	(459,122)	-	(459,122)
NET UNDERWRITING INCOME	53,742	11,929	5,306	70,977	-	70,977
Other Operating (Expenses)/Income						
Reversal of doubtful debts				11,183	-	11,183
General and administrative expenses				(67,870)	(1,918)	(69,788)
Third party administration fees				(14,880)	-	(14,880)
Special commission income				4,909	3,542	8,451
Other income				1,693	-	1,693
Total Other Operating Expenses, net				(65,965)	1,624	(63,341)
Net loss for the period				6,012	1,624	7,636

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

13. SEGMENTAL INFORMATION (Continued)

Operating segments	SAR 000's					
	For the three month period ended 31 March 2018 (Unaudited)					
	Insurance operations				Shareholders' operations	Total
	Medical	Motor	Property & casualty	Total		
<u>Revenues</u>						
Gross premiums written						
-Direct	282,656	77,772	51,677	412,105	-	412,105
-Reinsurance	-	-	1,511	1,511	-	1,511
	282,656	77,772	53,188	413,616	-	413,616
Reinsurance premiums ceded						
-Local	-	-	(866)	(866)	-	(866)
-Abroad	-	(18,131)	(41,705)	(59,836)	-	(59,836)
	-	(18,131)	(42,571)	(60,702)	-	(60,702)
Excess of loss premiums	-	(2,100)	(2,066)	(4,166)	-	(4,166)
Net Premiums Written	282,656	57,541	8,551	348,748	-	348,748
Changes in unearned premiums, net	92,541	37,502	4,880	134,923	-	134,923
Net Premiums Earned	375,197	95,043	13,431	483,671	-	483,671
Reinsurance commission income	-	8,214	7,779	15,993	-	15,993
Total Revenues	375,197	103,257	21,210	499,664	-	499,664
<u>Underwriting Costs and Expenses</u>						
Gross claims paid	(426,202)	(83,343)	(37,248)	(546,793)	-	(546,793)
Expenses incurred related to claims	-	(4,687)	(560)	(5,247)	-	(5,247)
Early settlement discount	20,804	-	-	20,804	-	20,804
Reinsurers' share of claims paid	-	23,712	36,069	59,781	-	59,781
Net claims and other benefits paid	(405,398)	(64,318)	(1,739)	(471,455)	-	(471,455)
Change in outstanding claims, net	13	9,528	5,605	15,146	-	15,146
Change in IBNR, net	37,403	(2,592)	864	35,675	-	35,675
Net claims and other benefits incurred	(367,982)	(57,382)	4,730	(420,634)	-	(420,634)
Premium deficiency reserve				-	-	-
Other technical reserves	2,270	(2,205)	1,266	1,331	-	1,331
Policy acquisition costs	(20,774)	(9,554)	(6,620)	(36,948)	-	(36,948)
Total Underwriting Costs and Expenses	(386,486)	(69,141)	(624)	(456,251)	-	(456,251)
NET UNDERWRITING INCOME	(11,289)	34,116	20,586	43,413	-	43,413
Other Operating (Expenses)/Income						
Allowance for doubtful debts				36	-	36
General and administrative expenses				(59,301)	(972)	(60,273)
Third party administration fees				(12,528)	-	(12,528)
Special commission income				3,153	611	3,764
Other income				2,316	-	2,316
Total Other Operating Expenses, net				(66,324)	(361)	(66,685)
Net loss for the period				(22,911)	(361)	(23,272)

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

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

Basic and diluted earnings per share been calculated by dividing the net Income / (loss) for the period by the weighted average number of shares outstanding as of the reporting date amounting to 80 millions shares

	SR'000	
	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Income / (Loss) for the year	7,035	(23,272)
Weighted average number of ordinary shares	80,000	80,000
Loss per share	0.09	(3.81)

15. SHARE CAPITAL

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

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

	31 March 2019 (Unaudited)			31 December 2018 (Audited)		
	SR'000			SR'000		
	No. of shares	Authorized and issued	Paid up	No. of shares	Authorized and issued	Paid up
Founding shareholders	60,000	600,000	600,000	60,000	600,000	600,000
General public	20,000	200,000	200,000	20,000	200,000	200,000
	80,000	800,000	800,000	80,000	800,000	800,000

16. CAPITAL MANAGEMENT

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

The company is not in compliance with the solvency margin required by SAMA (refer note 2)

17. STATUTORY RESERVE

In accordance with its By-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution. Since there was accumulated deficit for the period ended 31 March 2019 and year ended 31 December 2018, no transfer was made to statutory reserve.

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

18. STATUS OF ZAKAT, WITHHOLDING AND INCOME TAXES

a) Zakat Charge for the period

The zakat charge for the period consists of the current period's provision amounting to SR 3,053 thousand (31 December 2018: SR 6,323 thousand). The zakat provision is based on Saudi Shareholders' share of capital at 54.5% (31 December 2018: 54.5%).

b) Income tax charge for the period

There was no income tax provision in the current period and for the period ended 31 December 2018.

c) Appeal on assessment

The Company has filed its zakat and income tax declarations for the year from 16 April 2007 to 31 December 2017 with the General Authority of Zakat and Income Tax (GAZT). Further, the Company has filed 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 interim condensed financial information based on the advice of the Company's zakat and tax consultant.

19. 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) Operating lease commitments

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

	SR'000	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Less than one year	-	-
One to five years	6,611	16,057
	6,611	16,057

c) Contingencies and capital commitments

As at 31 March 2019, the Company's banker has issued letters of guarantee of SR 72,873 thousand (31 December 2018: SR 64,957 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them. The Company had no capital commitments during the period ended 31 March 2019 (31 December 2018: nil).

20. GOODWILL

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.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units ('CGU') to which goodwill has been allocated. To assess the Goodwill impairment impact as of 31 December 2018, the Company appointed a consultant and a report dated 11 February 2018 was issued. Considering the Company as a single CGU, the consultant applied 'Share Price' and 'Market' approach on the trading activity of the Company's stock and the capitalization of the earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples. Accordingly, as of the date of the approval of the financial statements for the year ended 31 December 2018 based on the aforementioned approach, the valuation result concluded the recoverable amount of goodwill to be higher than the carrying value.

During the year end December 31, 2018 the management revisited the assessment approach 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 in their report dated February 20, 2019. As per the management's assessment, the goodwill will be impaired if WACC (Weighted average cost of capital) will have to increase to over 30% and terminal value growth rate reduce to 1% for goodwill to be impaired.

During 31 March 2019, there was no sign of goodwill impairment.

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

21. SUPPLEMENTARY INFORMATION

Interim condensed statement of financial position

	SAR 000's					
	31 March 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Assets						
Cash and cash equivalents`	928,679	219,216	1,147,895	712,246	410,183	1,122,429
Short term deposits	159,565	-	159,565	-	-	-
Premium and reinsurers' receivable, net	694,074	-	694,074	681,078	-	681,078
Reinsurers' share of unearned premiums	521,139	-	521,139	282,901	-	282,901
Reinsurers' share of outstanding claims	287,090	-	287,090	294,162	-	294,162
Reinsurers' share of claims incurred but not reported	159,572	-	159,572	126,644	-	126,644
Deferred policy acquisition costs	79,904	-	79,904	76,227	-	76,227
Due from a related party	63	-	63	63	-	63
Due from / to shareholders` / insurance operation	435,620	(435,620)	-	399,560	(399,560)	-
Prepayment and other assets	298,249	3,931	302,180	131,751	2,522	134,273
Available for sale investments	15,000	284,655	299,655	25,000	49,151	74,151
Right of used assets, net	28,550	-	28,550	-	-	-
Property and equipment, net	17,584	-	17,584	19,158	-	19,158
Land	-	30,000	30,000	-	30,000	30,000
Intangible assets, net	2,709	-	2,709	2,484	-	2,484
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	9,872	9,872	-	9,872	9,872
Accrued commission on statutory deposit	-	19,507	19,507	-	19,507	19,507
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	3,627,798	731,561	4,359,359	2,751,274	721,675	3,472,949

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

21. SUPPLEMENTARY INFORMATION (Continued)

	SAR 000's					
	31 March 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Liabilities						
Accrued expenses and other liabilities	186,731	3,903	190,634	155,673	2,820	158,493
Accounts and commission payable	107,934	-	107,934	124,860	-	124,860
Lease liability	25,236	-	25,236	-	-	-
Reinsurers' balances payable	337,806	-	337,806	50,410	-	50,410
Gross unearned premiums	1,649,415	-	1,649,415	1,236,849	-	1,236,849
Unearned reinsurance commission	57,605	-	57,605	22,205	-	22,205
Gross outstanding claims	368,221	-	368,221	325,214	-	325,214
Claims incurred but not reported	693,759	-	693,759	624,910	-	624,910
Premium deficiency reserve	41,827	-	41,827	51,052	-	51,052
Other technical reserves	13,748	-	13,748	9,759	-	9,759
Due to a related party	19,830	-	19,830	17,600	-	17,600
End of service indemnities	17,804	-	17,804	25,461	-	25,461
Surplus distribution payable	112,167	-	112,167	111,566	-	111,566
Zakat & income tax	-	30,237	30,237	-	27,184	27,184
Accrued commission income payable to SAMA	-	19,507	19,507	-	19,507	19,507
Total Liabilities	3,632,083	53,647	3,685,730	2,755,559	49,511	2,805,070
Insurance Operations' Deficit						
Re-measurement of defined benefit liability – employees benefits	(4,285)	-	(4,285)	(4,285)	-	(4,285)
TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	(4,285)	-	(4,285)	(4,285)	-	(4,285)
Shareholders' Equity						
Share capital	-	800,000	800,000	-	800,000	800,000
Statutory reserve	-	146,135	146,135	-	146,135	146,135
Accumulated losses	-	(269,547)	(269,547)	-	(273,529)	(273,529)
Fair values reserve gain on investments	-	1,326	1,326	-	(442)	(442)
Total Shareholders' Equity	-	677,914	677,914	-	672,164	672,164
TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY	3,627,798	731,561	4,359,359	2,751,274	721,675	3,472,949

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

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of income

	SAR 000's					
	31 March 2019 (Unaudited)			31 March 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Revenues						
Gross premiums written						
-Direct	1,077,243	-	1,077,243	412,105	-	412,105
-Reinsurance	-	-	-	1,511	-	1,511
	1,077,243	-	1,077,243	413,616	-	413,616
Reinsurance premiums ceded						
-Local	(1,837)	-	(1,837)	(866)	-	(866)
-Abroad	(380,407)	-	(380,407)	(59,836)	-	(59,836)
	(382,244)	-	(382,244)	(60,702)	-	(60,702)
Excess of loss premiums	(11,942)	-	(11,942)	(4,166)	-	(4,166)
Net Premiums Written	683,057	-	683,057	348,748	-	348,748
Changes in unearned premiums, net	(174,328)	-	(174,328)	134,923	-	134,923
Net Premiums Earned	508,729	-	508,729	483,671	-	483,671
Reinsurance commission income	21,370	-	21,370	15,993	-	15,993
Total Revenues	530,099	-	530,099	499,664	-	499,664
Underwriting Costs and Expenses						
Gross claims paid	(449,024)	-	(449,024)	(546,793)	-	(546,793)
Expenses incurred related to claims	(5,057)	-	(5,057)	(5,247)	-	(5,247)
Early settlement discount	20,997	-	20,997	20,804	-	20,804
Reinsurers' share of claims paid	75,987	-	75,987	59,781	-	59,781
Net claims and other benefits paid	(357,097)	-	(357,097)	(471,455)	-	(471,455)
Change in outstanding claims, net	(50,079)	-	(50,079)	15,146	-	15,146
Change in IBNR, net	(35,921)	-	(35,921)	35,675	-	35,675
Net claims and other benefits incurred	(443,097)	-	(443,097)	(420,634)	-	(420,634)
Additional premium deficiency reserve	9,225	-	9,225	-	-	-
Other technical reserves	(3,989)	-	(3,989)	1,331	-	1,331
Policy acquisition costs	(21,261)	-	(21,261)	(36,948)	-	(36,948)
Total Underwriting Costs and Expenses	(459,122)	-	(459,122)	(456,251)	-	(456,251)
NET UNDERWRITING INCOME	70,977	-	70,977	43,413	-	43,413
Other Operating (Expenses)/Income						
Reversal of doubtful debts	11,183	-	11,183	36	-	36
General and administrative expenses	(67,870)	(1,918)	(69,788)	(59,301)	(972)	(60,273)
Third party administration fees	(14,880)	-	(14,880)	(12,528)	-	(12,528)
Special commission income	4,909	3,542	8,451	3,153	611	3,764
Other income	1,693	-	1,693	2,316	-	2,316
Total Other Operation (Expenses)/Income	(64,965)	1,624	(63,341)	(66,324)	(361)	(66,685)
Net (loss) / income for the period before appropriation	6,012	1,624	7,636	(22,911)	(361)	(23,272)
Shareholders' appropriation from insurance operation deficit	(5,411)	5,411	-	22,911	(22,911)	-
Net loss for the period after appropriation	601	7,035	7,636	-	(23,272)	(23,272)

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

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of comprehensive income

	SAR 000's					
	31 March 2019 (Unaudited)			31 March 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net loss for the period	601	7,035	7,636	-	(23,272)	(23,272)
Other comprehensive loss:						
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>						
Available for sale investments						
- Net change in fair values	-	1,768	1,768	11	(41)	(30)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	601	8,803	9,404	11	(23,313)	(23,302)

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

21. SUPPLEMENTARY INFORMATION (Continued)

Interim condensed statement of cash flow

Note	SAR 000's					
	31 March 2019 (Unaudited)			31 March 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net loss for the year end	601	7,035	7,636	-	(23,272)	(23,272)
Adjustments for non-cash items:						
Depreciation and amortization	2,032	-	2,032	2,468	-	2,468
Allowance for doubtful debts	(11,183)	-	(11,183)	(36)	-	(36)
Special commission income	(4,909)	(3,542)	(8,451)	(3,153)	(611)	(3,764)
Provision for end of service indemnities	(5,019)	-	(5,019)	(5,566)	-	(5,566)
	(18,478)	3,493	(14,985)	(6,287)	(23,883)	(30,170)
<u>Changes in operating assets and liabilities:</u>						
Premiums and reinsurers' receivable	(1,813)	-	(1,813)	(11,119)	-	(11,119)
Reinsurers' share of unearned premiums	(238,238)	-	(238,238)	70,904	-	70,904
Reinsurers' share of outstanding claims	7,072	-	7,072	(97,765)	-	(97,765)
Reinsurers' share of claims incurred but not reported	(32,928)	-	(32,928)	(16,807)	-	(16,807)
Deferred policy acquisition costs	(3,677)	-	(3,677)	11,978	-	11,978
Deposit against letter of guarantee	(7,917)	-	(7,917)	(12,312)	176	(12,136)
Prepayments and other assets	(166,498)	(1,409)	(167,907)	(2,243)	-	(2,243)
Right of used assets	(28,550)	-	(28,550)			
Accounts and commission payable	(16,926)	-	(16,926)	(19,417)	(515)	(19,932)
Accrued expenses and other liabilities	31,058	1,083	32,141	(81,785)	-	(81,785)
Lease liability	25,236	-	25,236			
Reinsurers' balances payable	287,396	-	287,396	(205,827)	-	(205,827)
Gross unearned premiums	412,566	-	412,566	(5,408)	-	(5,408)
Unearned reinsurance commission	35,400	-	35,400	82,619	-	82,619
Gross outstanding claims	43,007	-	43,007	(18,868)	-	(18,868)
Claims incurred but not reported	68,849	-	68,849	(2,270)	-	(2,270)
Premium deficiency reserves	(9,225)	-	(9,225)	939	-	939
Other technical reserves	3,989	-	3,989	(3,198)	-	(3,198)
Due to a related party	2,230	-	2,230	3,754	-	3,754
	392,553	3,167	395,720	(313,112)	(24,222)	(337,334)
Payment of employees end of service indemnities	(2,638)	-	(2,638)	(1,847)	-	(1,847)
Zakat and income tax paid	-	-	-	-	(2,169)	(2,169)
Net cash used in operating activities	389,915	3,167	393,082	(314,959)	(26,391)	(341,350)
CASH FLOWS FROM INVESTING ACTIVITIES						
Addition / disposal of available for sale investment	10,000	(233,736)	(223,736)	-	-	-
Special commission income	4,909	3,542	8,451	3,153	611	3,764
Proceeds from short term deposits	(159,565)	-	(159,565)	11,250	70,000	81,250
Additions in property, equipment and intangible	(682)	-	(682)	(1,441)	-	(1,441)
Net cash (used in) / generated from investing activities	(145,338)	(230,194)	(375,532)	12,962	70,611	83,573
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders' operation	(36,060)	36,060	-	45,604	(45,604)	-
Net Cash generated from / (used in) financing activities	(36,060)	36,060	-	45,604	(45,604)	-
Net change in cash and cash equivalents	208,517	(190,967)	17,550	(256,393)	(1,384)	(257,777)
Cash and cash equivalents, beginning of the year	647,289	410,183	1,057,472	348,784	5,176	353,960
Cash and cash equivalents, end of the year	855,806	219,216	1,075,022	92,391	3,792	96,183

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

22. GROSS WRITTEN PREMIUM CATEGORIZATION

	SAR 000's			
	31 March 2019 (Unaudited)			
	Medical	Motor	Property & casualty	Total
Large enterprise	735,026	8,989	85,696	829,711
Medium enterprise	44,823	3,963	30,534	79,320
Small enterprise	49,238	4,036	2,783	56,057
Micro enterprise	26,776	629	11,644	39,049
Individual	-	72,943	163	73,106
	855,863	90,560	130,820	1,077,243

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information have been approved by the Board of Directors on Dated 24 Sha'ban 1440H corresponding to 29 April 2019.