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

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

**FOR THE NINE MONTH PERIOD ENDED
30 SEPTEMBER 2014**

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

Unaudited Interim Condensed Financial Statements and Independent Auditors' Review Report
For the nine month period ended 30 September 2014

INDEX	PAGE
Independent Auditors' Review Report	1
Statement of Financial Position	2 – 3
Interim Statement of Insurance Operations and Accumulated Surplus	4
Interim Statement of Shareholders' Operations	5
Interim Statement of Shareholders' Comprehensive Income	6
Interim Statement of Changes in Shareholders' Equity	7
Interim Statement of Insurance Operations' Cash Flows	8
Interim Statement of Shareholders' Cash Flows	9
Notes to the Interim Condensed Financial Statements	10 – 21

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

SCOPE OF REVIEW

We have reviewed the accompanying interim 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 2014, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive income for the three month and nine month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

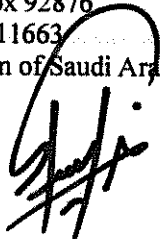
CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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5 Muharram 1436H
29 October 2014

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

STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

(Amounts in SR)

		30 September 2014 <i>(Unaudited)</i>	31 December 2013 <i>(Audited)</i>
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	335,069,272	686,594,970
Time deposits	6	334,940,337	129,639,726
Premiums and reinsurance balances receivable	7	1,926,278,765	1,240,053,958
Investments	8a	98,834,867	90,875,000
Due from related parties	11a	73,695,412	68,839,113
Due from shareholders' operations		-	268,878,984
Reinsurers' share of outstanding claims		695,663,928	605,687,165
Reinsurers' share of unearned premiums		961,859,512	919,402,928
Deferred policy acquisition costs		237,979,850	174,854,095
Prepayments and other assets		284,431,343	118,096,148
Property and equipment, net		47,074,365	39,586,774
TOTAL INSURANCE OPERATIONS' ASSETS		4,995,827,651	4,342,508,861
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	177,769,006	322,102,719
Time deposits	6	6,044,858	126,149,039
Due from insurance operations		74,697,673	-
Investments	8b	285,927,380	211,127,052
Prepayments and other assets		2,253,541	2,787,249
Investment in an associate	9	6,000,000	6,000,000
Land		30,000,000	30,000,000
Statutory deposit	10	100,000,000	100,000,000
Goodwill		480,000,000	480,000,000
TOTAL SHAREHOLDERS' ASSETS		1,162,692,458	1,278,166,059
TOTAL ASSETS		6,158,520,109	5,620,674,920

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 September 2014

(Amounts in SR)

	Notes	30 September 2014 (Unaudited)	31 December 2013 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		1,563,012,131	1,451,905,914
Due to related parties	11a	32,671,916	12,080,783
Due to shareholders' operations		74,697,673	-
Accounts and commission payable		136,064,085	73,314,933
Accrued expenses and other liabilities		99,503,462	78,858,790
Reinsurance balances payable		216,116,858	294,402,083
Surplus distribution payable		100,841,667	85,595,806
Unearned reinsurance commission		77,968,382	39,772,672
Gross unearned premiums		2,676,325,965	2,298,631,011
Other claim reserves		15,678,804	6,327,378
TOTAL INSURANCE OPERATIONS' LIABILITIES		4,992,880,943	4,340,889,370
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	8a	2,946,708	1,619,491
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		4,995,827,651	4,342,508,861
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		767,000	899,500
Provision for zakat and income tax		30,991,725	12,453,909
Due to insurance operations		-	268,878,984
TOTAL SHAREHOLDERS' LIABILITIES		31,758,725	282,232,393
SHAREHOLDERS' EQUITY			
Share capital	14	1,000,000,000	1,000,000,000
Statutory reserve	15	139,374,369	139,374,369
Accumulated deficit		(36,595,927)	(159,694,752)
Cumulative change in fair values of available for sale investments	8b	28,155,291	16,254,049
TOTAL SHAREHOLDERS' EQUITY		1,130,933,733	995,933,666
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,162,692,458	1,278,166,059
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		6,158,520,109	5,620,674,920

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>		
	<i>30 September 2014</i>	<i>30 September 2013</i>	<i>30 September 2014</i>	<i>30 September 2013</i>	
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Gross premiums written		1,083,067,661	1,295,627,471	3,565,556,955	3,203,147,014
Less: Reinsurance premiums ceded		(205,644,620)	(271,855,966)	(844,888,522)	(699,613,667)
Excess of loss premiums		(2,594,958)	(39,201,353)	(11,417,991)	(58,263,981)
NET PREMIUMS WRITTEN		874,828,083	984,570,152	2,709,250,442	2,445,269,366
Change in unearned premiums, net		(127,735,768)	(278,933,763)	(335,238,370)	(558,252,096)
Change in other claim reserves		6,566,432	(3,266,274)	(9,351,425)	(2,886,946)
NET PREMIUMS EARNED		753,658,747	702,370,115	2,364,660,647	1,884,130,324
Gross claims paid and other expenses		(901,104,376)	(587,978,750)	(2,430,794,055)	(1,920,670,019)
Reinsurers' share of gross claims paid		157,494,837	110,063,309	470,590,081	386,456,087
Change in outstanding claims, net		126,864,977	(152,040,782)	(21,129,454)	(145,122,142)
NET CLAIMS INCURRED		(616,744,562)	(629,956,223)	(1,981,333,428)	(1,679,336,074)
Policy acquisition costs		(43,557,488)	(44,334,111)	(121,110,213)	(78,279,407)
Reinsurance commission income		11,636,933	24,159,268	56,276,639	81,847,270
NET UNDERWRITING RESULT		104,993,630	52,239,049	318,493,645	208,362,113
General and administrative expenses		(75,795,552)	(60,873,821)	(214,805,229)	(188,171,987)
Special commission income		1,699,361	1,598,011	6,450,263	4,497,085
Other income		11,362,565	10,325,076	42,319,932	28,858,740
INSURANCE OPERATIONS' SURPLUS		42,260,004	3,288,315	152,458,611	53,545,951
Shareholders' appropriation from insurance operations' surplus	2	(38,034,004)	(2,959,484)	(137,212,750)	(48,191,356)
ACCUMULATED SURPLUS AT THE END OF THE PERIOD		4,226,000	328,831	15,245,861	5,354,595

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
(Amounts in SR)

	<i>Notes</i>	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
		<i>30 September 2014 (Unaudited)</i>	<i>30 September 2013 (Unaudited)</i>	<i>30 September 2014 (Unaudited)</i>	<i>30 September 2013 (Unaudited)</i>
INCOME					
Shareholders' appropriation from insurance operations' surplus	2	38,034,004	2,959,484	137,212,750	48,191,356
Special commission income		1,527,307	3,773,773	6,286,256	11,039,578
Realised loss on sale of available for sale investments		-	(162,308)	(1,021,115)	(162,308)
Dividend income on available for sale investments		119,095	113,802	1,717,272	1,709,926
		<u>39,680,406</u>	<u>6,684,751</u>	<u>144,195,163</u>	<u>60,778,552</u>
EXPENSES					
General and administrative		(806,005)	(3,095,296)	(2,558,522)	(8,700,369)
NET INCOME FOR THE PERIOD					
		<u>38,874,401</u>	<u>3,589,455</u>	<u>141,636,641</u>	<u>52,078,183</u>
BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD					
	13	<u>0.389</u>	<u>0.036</u>	<u>1.416</u>	<u>0.521</u>

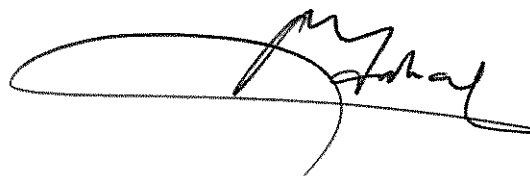
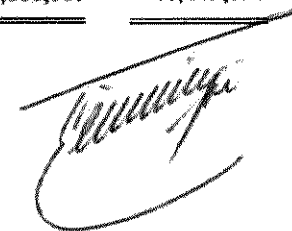
The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the nine month period ended</i>	
	<i>30 September 2014 (Unaudited)</i>	<i>30 September 2013 (Unaudited)</i>	<i>30 September 2014 (Unaudited)</i>	<i>30 September 2013 (Unaudited)</i>
NET INCOME FOR THE PERIOD	38,874,401	3,589,455	141,636,641	52,078,183
Other comprehensive income / (loss):				
Items that cannot be recycled back to interim condensed statement of income in future				
<u>Zakat and income tax</u>	(5,465,232)	(4,188,274)	(18,537,816)	(15,033,786)
Items that can be recycled back to interim condensed statement of income in future				
<u>Available for sale investments</u>				
Net change in fair values	6,084,301	2,048,484	12,922,357	4,567,708
Loss transferred to interim condensed statement of income	-	(162,308)	(1,021,115)	(162,308)
Other comprehensive income / (loss) for the period	619,069	(2,302,098)	(6,636,574)	(10,628,386)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	39,493,470	1,287,357	135,000,067	41,449,797

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

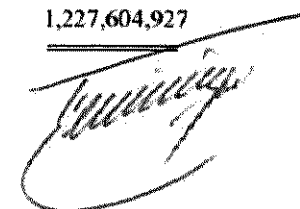
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine month period ended 30 September 2014

(Amounts in SR)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated deficit / Retained earnings</i>	<i>Available for sale investments</i>	<i>Total</i>
Balance at 1 January 2014 (Audited)	<u>1,000,000,000</u>	<u>139,374,369</u>	<u>(159,694,752)</u>	<u>16,254,049</u>	<u>995,933,666</u>
Total comprehensive income for the period					
Net income for the period	-	-	141,636,641	-	141,636,641
Zakat and income tax	-	-	(18,537,816)	-	(18,537,816)
Net change in fair values	-	-	-	12,922,357	12,922,357
Net amount transferred to interim statement of shareholders' operations	-	-	-	(1,021,115)	(1,021,115)
Balance at 30 September 2014 (Unaudited)	<u>1,000,000,000</u>	<u>139,374,369</u>	<u>(36,595,927)</u>	<u>28,155,291</u>	<u>1,130,933,733</u>
Balance at 1 January 2013 (Audited)	800,000,000	139,374,369	237,497,478	9,283,283	1,186,155,130
Total comprehensive income for the period					
Net income for the period	-	-	52,078,183	-	52,078,183
Zakat and income tax	-	-	(15,033,786)	-	(15,033,786)
Net change in fair values	-	-	-	4,567,708	4,567,708
Net amount transferred to interim statement of shareholders' operations	-	-	-	(162,308)	(162,308)
Bonus shares issued	200,000,000	-	(200,000,000)	-	-
Balance at 30 September 2013 (Unaudited)	<u>1,000,000,000</u>	<u>139,374,369</u>	<u>74,541,875</u>	<u>13,688,683</u>	<u>1,227,604,927</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the nine month period ended 30 September 2014

(Amounts in SR)

	30 September 2014 <i>(Unaudited)</i>	30 September 2013 <i>(Unaudited)</i>
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	15,245,861	5,354,595
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash (used) / from operating activities:</i>		
Depreciation	11,458,468	6,131,917
Special commission income	(6,450,263)	(4,497,085)
Gain on sale of property and equipment, net	(571)	(299,975)
Gross unearned premiums	377,694,954	610,872,338
Reinsurers' share of unearned premiums	(42,456,584)	(52,620,242)
<i>Cash from operations</i>	<u>355,491,865</u>	<u>564,941,548</u>
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurance balances receivable	(686,224,807)	(264,276,194)
Due from related parties	(4,856,299)	(21,455,793)
Due to related parties	20,591,133	-
Reinsurers' share of outstanding claims	(89,976,763)	(122,205,776)
Deferred policy acquisition costs	(63,125,755)	(85,504,940)
Prepayments and other assets	(166,335,195)	(288,786,627)
Gross outstanding claims	111,106,217	267,327,918
Due from shareholders' operations, net	343,576,657	(9,407,283)
Accounts and commissions payable	62,749,152	32,581,088
Accrued expenses and other liabilities	20,644,672	10,056,271
Reinsurance balances payable	(78,285,225)	21,145,736
Unearned reinsurance commission	38,195,710	(7,967,154)
Other reserves	9,351,426	2,886,946
Net cash (used in) / from operating activities	<u>(127,097,212)</u>	<u>99,335,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Time deposits	(205,300,611)	(30,248,152)
Special commission income	6,450,263	4,497,085
Proceeds from sale of property and equipment	1,900	531,807
Proceeds from sale of available for sale investments	8a 20,000,000	20,000,000
Purchase of available for sale investments	8a (26,632,650)	-
Purchase of property and equipment	(18,947,388)	(2,440,179)
Net cash used in investing activities	<u>(224,428,486)</u>	<u>(7,659,439)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	<u>(351,525,698)</u>	<u>91,676,301</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5 <u>686,594,970</u>	<u>282,656,404</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 <u>335,069,272</u>	<u>374,332,705</u>
<u>Non-cash transaction:</u>		
Change in fair values of available for sale investments	<u>1,327,217</u>	<u>842,765</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the nine month period ended 30 September 2014

(Amounts in SR)

	Notes	30 September 2014 (Unaudited)	30 September 2013 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		141,636,641	52,078,183
<i>Adjustments for:</i>			
Special commission income		(6,286,256)	(11,039,578)
Dividend income on available for sale investments		(1,717,272)	(1,709,926)
Realised loss on sale of available for sale investments		1,021,115	(162,308)
Impairment on investment in an associate	9	-	6,000,000
Cash from operations		134,654,228	45,166,371
<i>Changes in operating assets and liabilities:</i>			
Due to insurance operations, net		(343,576,657)	9,407,283
Accrued expenses and other liabilities		(132,500)	1,129,500
Zakat and income tax paid		-	(34,257,138)
Prepayments and other assets		533,708	(1,461,850)
Increase in statutory deposit		-	(20,000,000)
Net cash used in operating activities		(208,521,221)	(15,834)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		120,104,181	(754,882)
Purchase of available for sale investments	8b	(101,179,520)	(10,000,000)
Proceeds from sale of available for sale investments		37,259,319	22,837,208
Special commission income		6,286,256	11,039,578
Dividend income on available for sale investments		1,717,272	1,709,926
Net cash from investing activities		64,187,508	24,831,830
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(144,333,713)	24,815,996
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	322,102,719	286,624,155
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	177,769,006	311,440,151
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		11,901,242	4,405,400
Increase in share capital due to bonus issue		-	200,000,000

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

30 September 2014

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 Al-Thani 1428H (corresponding to 26 April 2007). The registered office address of the Company is P.O.Box: 2302, Riyadh 11451, Kingdom of Saudi Arabia. The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

2. BASIS OF PREPARATION

Basis of measurement

The interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available for sale investments and investment in an associate which is accounted for under the equity method.

Statement of compliance

The accompanying interim condensed financial statements for the nine month period ended 30 September 2014 are prepared in accordance with IAS 34 – Interim Financial Reporting.

The accompanying interim condensed financial statements 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 at 31 December 2013.

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 Agency ("SAMA").

The insurance operations' surplus of the Company for the nine month period ended 30 September 2014 amounted to SR 152,458,611 (30 September 2013: SR. 53,545,951). Accordingly, 90% of insurance operation surplus amounting to SR 137,212,750 (30 September 2013: SR. 48,191,356) has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 15,245,861 for the period ended 30 September 2014 (30 September 2013: SR 5,354,595).

In management's opinion, the interim condensed financial statements 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.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate accounts for insurance and shareholders' operations and presents the financial statements accordingly. Income and expenses clearly attributable to the relevant activity are recorded in the respective books of accounts. The basis of allocation of expenses from joint operations is determined by Management and Board of Directors.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These unaudited interim condensed financial statements have been presented in Saudi Arabian Riyal (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013. The Company has adopted the following new standards and amendment, which are effective for the Company's financial years starting 2014 and thereafter. Adoption of these standards will not result any significant impact on Company's financial statements:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
30 September 2014

4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (Continued)

New and amended standards issued and adopted

-Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.

-IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.

-IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

-IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

5. CASH AND CASH EQUIVALENTS

	30 September 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	127,240,702	69,690,329	478,291,081	20,959,236
Short term time deposits	207,828,570	108,078,677	208,303,889	301,143,483
	<u>335,069,272</u>	<u>177,769,006</u>	<u>686,594,970</u>	<u>322,102,719</u>

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

Short term time deposits are placed with local banks with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 0.66% per annum (31 December 2013: 2.66% per annum).

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

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

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

30 September 2014

6. TIME DEPOSITS

Time deposits are placed with counterparties that have credit ratings equivalent to A+ to A- ratings under Standard and Poor's and Moody's ratings methodology.

Time deposits are placed with local banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 0.9% per annum (31 December 2013: 1.8% per annum).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

7. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

	<i>30 September 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
Premiums receivable	1,893,190,373	1,254,544,899
Less: Provision for doubtful debts	(136,172,994)	(138,286,694)
	<u>1,757,017,379</u>	<u>1,116,258,205</u>
Reinsurance balances receivable	174,589,924	127,010,591
Less: Provision for doubtful debts	(5,328,538)	(3,214,838)
	<u>169,261,386</u>	<u>123,795,753</u>
	<u><u>1,926,278,765</u></u>	<u><u>1,240,053,958</u></u>

8. INVESTMENTS

(a) Insurance operations – Available for sale investments

	<i>30 September 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
Mutual funds	32,691,026	52,341,125
Bonds	38,296,500	38,533,875
Sukuk	25,000,000	-
Equities	2,847,341	-
	<u>98,834,867</u>	<u>90,875,000</u>
Total available for sale investments	<u><u>98,834,867</u></u>	<u><u>90,875,000</u></u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

8. INVESTMENTS (Continued)

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

	<i>30 September 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
At the beginning of the period / year	90,875,000	110,373,947
Purchase during the period / year	26,632,650	-
Sold during the period / year	(20,000,000)	(20,000,000)
	<u>97,507,650</u>	<u>90,373,947</u>
Net change in fair values	1,327,217	501,053
At the end of the period / year	<u>98,834,867</u>	<u>90,875,000</u>

The cumulative change as of 30 September 2014 in fair values of available for sale investments for insurance operations amounting to SR 2,946,708 (31 December 2013: SR 1,619,491) is presented within insurance operations' surplus' in the interim statement of financial position.

(b) Shareholders' operations – Available for sale investments

	<i>30 September 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
Mutual funds	97,010,182	86,148,467
Bonds	78,815,850	36,539,925
Sukuk	58,581,570	69,688,660
Equities	51,519,778	18,750,000
Total available for sale investments	<u>285,927,380</u>	<u>211,127,052</u>

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

	<i>30 September 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
At the beginning of the period / year	211,127,052	196,858,681
Purchased during the period / year	101,179,520	29,972,505
Sold during the period / year	(37,259,319)	(22,512,592)
	<u>275,047,253</u>	<u>204,318,594</u>
Realised loss	(1,021,115)	(162,308)
Net change in fair values	11,901,242	6,970,766
At the end of the period / year	<u>285,927,380</u>	<u>211,127,052</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

8. INVESTMENTS (Continued)

The cumulative change as of 30 September 2014 in fair values of available for sale investments for shareholders' operations amounting to SR 28,155,291 (31 December 2013: SR 16,254,049) is presented within shareholders' equity in the interim statement of financial position.

(c) 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 statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

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 instrument (i.e. without modification or repacking).
- 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.

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:

	30 September 2014			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	122,141,208	7,560,000	-	129,701,208
Bonds	117,112,350	-	-	117,112,350
Sukuk	17,585,500	65,996,070	-	83,581,570
Equities	33,694,041	-	-	33,694,041
<i>Total available for sale investments</i>	<u>290,533,099</u>	<u>73,556,070</u>	<u>-</u>	<u>364,089,169</u>
	31 December 2013			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	130,959,592	7,530,000	-	138,489,592
Bonds	75,073,800	-	-	75,073,800
Sukuk	28,693,160	40,995,500	-	69,688,660
<i>Total available for sale investments</i>	<u>234,726,552</u>	<u>48,525,500</u>	<u>-</u>	<u>283,252,052</u>

The unlisted securities amounting to SR 18,750,000 and SR 1,923,078 were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 14,000,000 (a 25% equity interest) (2013: SR 14,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia. The carrying amount SR 6,000,000 is net of impairment charge of SR 8,000,000.

10. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA").

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) The following are the details of major related party transactions during the period / year and their balances at the end of the period:

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Amount of transaction for the nine months period ended</u>		<u>Balance</u>	
		<u>30 September 2014</u> <i>(Unaudited)</i> <u>SR</u>	<u>30 September 2013</u> <i>(Unaudited)</i> <u>SR</u>	<u>30 September 2014</u> <i>(Unaudited)</i> <u>SR</u>	<u>31 December 2013</u> <i>(Audited)</i> <u>SR</u>
<u>Due from related parties</u>					
Medgulf BSC <i>(shareholder)</i>	Claims payments, recovery of premiums for group policies and other expenses paid on behalf of Medgulf BSC	583,103	931,414	48,184,534	47,601,431
Motion al-Saudia <i>(affiliate)</i>	Operational expenditures paid on behalf of affiliate	-	-	10,924,474	10,924,474
Addison Bradley Arabia- KSA <i>(affiliate)</i>	Operational expenditures paid on behalf of affiliate	3,043,545	310,369	13,064,871	10,021,326
Al Samya Trading Co <i>(affiliate)</i>	Brokers commissions	2,750,360	-	562,007	-
Other related parties		667,644	2,021,852	959,526	291,882
				73,695,412	68,839,113

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

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

30 September 2014

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Amount of transaction for the nine months period ended</u>		<u>Balance</u>	
		<u>30 September 2014</u> <i>(Unaudited)</i> SR	<u>30 September 2013</u> <i>(Unaudited)</i> SR	<u>30 September 2014</u> <i>(Unaudited)</i> SR	<u>31 December 2013</u> <i>(Audited)</i> SR
<u>Due to related parties</u>					
Medivisa KSA <i>(affiliate)</i>	Claims administration fee (for medical) and Operational expenditures, net	22,779,486	29,898,367	32,671,916	9,892,430
Al Samya Trading Co <i>(affiliate)</i>	Brokers commissions	-	949,776	-	2,188,353
				<u>32,671,916</u>	<u>12,080,783</u>

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Amount of transaction for the nine months period ended</u>		<u>Balance</u>	
		<u>30 September 2014</u> <i>(Unaudited)</i> SR	<u>30 September 2013</u> <i>(Unaudited)</i> SR	<u>30 September 2014</u> <i>(Unaudited)</i> SR	<u>31 December 2013</u> <i>(Audited)</i> SR
The Saudi Investment Bank, <i>(Founding shareholders)</i>	- Current account and time deposit	21,578,408	21,025,083	130,303,900	108,725,492
	- Commission income on time deposits	208,489	209,748	439,165	230,676
Other related parties	- Gross premiums written	38,094,395	41,549,019	7,185,493	9,402,435
	- Claims incurred	21,707,694	18,747,426	186,319	920,397
	- Premiums ceded	8,719,527	35,412,759	270,581	8,990,108
	- Brokerage commission	4,774	122,808	1,405,848	1,410,622

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(b) *The remuneration of the Board of Directors and other key management personnel during the period is as follows:*

	<i>For the nine month period ended</i>	
	<i>30 September 2014</i>	<i>30 September 2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(SR)</i>	<i>(SR)</i>
Short term benefits	8,320,848	15,045,340
End of service benefits	273,274	502,606
	<u>8,594,122</u>	<u>15,547,946</u>

12. 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, special commission income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, investments, premiums and reinsurance balances receivable, prepayments and other assets, due from related parties, and property and equipment, net, to the operating segments.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, surplus distribution payable and other reserves to operating segments.

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

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

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

30 September 2014

12. SEGMENTAL INFORMATION (Continued)

Operating segments

*For the nine month period ended
September 2014 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	2,534,715,954	561,917,934	468,923,067	3,565,556,955
Net premiums written	2,155,709,874	474,833,814	78,706,754	2,709,250,442
Net premiums earned	1,970,535,048	329,810,100	64,315,499	2,364,660,647
Net claims incurred	(1,678,999,001)	(287,302,508)	(15,031,919)	(1,981,333,428)
Policy acquisition costs	(82,803,792)	(20,223,434)	(18,082,987)	(121,110,213)
Reinsurance commission income	17,489,540	4,303,321	34,483,778	56,276,639
Net underwriting result	226,221,795	26,587,479	65,684,371	318,493,645
General and administrative expenses				(214,805,229)
Special commission income and other income				48,770,195
Insurance operations' surplus				152,458,611

*For the nine month period ended
September 2013 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	2,481,612,407	316,302,730	405,231,877	3,203,147,014
Net premiums written	2,059,494,672	274,694,247	111,080,447	2,445,269,366
Net premiums earned	1,584,614,778	204,465,014	95,050,532	1,884,130,324
Net claims incurred	(1,494,778,999)	(169,344,657)	(15,212,418)	(1,679,336,074)
Policy acquisition costs	(37,541,549)	(15,756,277)	(24,981,581)	(78,279,407)
Reinsurance commission income	37,224,186	6,564,589	38,058,495	81,847,270
Net underwriting result	89,518,416	25,928,669	92,915,028	208,362,113
General and administrative expenses				(188,171,987)
Special commission income and other income				33,355,825
Insurance operations' surplus				53,545,951

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the three month period ended
September 2014 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	803,173,810	202,978,265	76,915,586	1,083,067,661
Net premiums written	683,899,052	181,459,889	9,469,142	874,828,083
Net premiums earned	579,712,070	152,931,641	21,015,036	753,658,747
Net claims incurred	(490,935,643)	(121,093,524)	(4,715,395)	(616,744,562)
Policy acquisition costs	(24,132,866)	(7,711,606)	(11,713,016)	(43,557,488)
Reinsurance commission income	1,905,661	(6,452,358)	16,183,630	11,636,933
Net underwriting result	66,549,222	17,674,153	20,770,255	104,993,630
General and administrative expenses				(75,795,552)
Special commission income and other income				13,061,926
Insurance operations' surplus				42,260,004

*For the three month period ended
September 2013 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	1,124,417,795	86,003,896	85,205,780	1,295,627,471
Net premiums written	919,763,277	49,518,875	15,288,000	984,570,152
Net premiums earned	579,672,207	74,113,153	48,584,755	702,370,115
Net claims incurred	(559,388,351)	(65,643,480)	(4,924,392)	(629,956,223)
Policy acquisition costs	(30,331,815)	(5,533,942)	(8,468,354)	(44,334,111)
Reinsurance commission income	16,866,267	5,671,987	1,621,014	24,159,268
Net underwriting result	6,818,308	8,607,718	36,813,023	52,239,049
General and administrative expenses				(60,873,821)
Special commission income and other income				11,923,087
Insurance operations' surplus				3,288,315

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

<i>As at 30 September 2014 (Unaudited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	239,737,308	78,704,888	643,417,316	961,859,512
Reinsurers' share of outstanding claims	150,391,998	43,196,977	502,074,953	695,663,928
Deferred policy acquisition costs	187,721,816	17,665,560	32,592,474	237,979,850
Unallocated assets	-	-	-	3,100,324,361
				<u>4,995,827,651</u>
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,598,248,720	351,695,584	726,381,661	2,676,325,965
Unearned reinsurance commission	20,531,199	10,846,676	46,590,507	77,968,382
Gross outstanding claims	902,677,250	128,567,910	531,766,971	1,563,012,131
Unallocated liabilities	-	-	-	678,521,173
				<u>4,995,827,651</u>
<i>As at 31 December 2013 (Audited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	242,708,330	24,749,519	651,945,079	919,402,928
Reinsurers' share of outstanding claims	168,344,497	22,158,634	415,184,034	605,687,165
Deferred policy acquisition costs	142,318,219	5,371,905	27,163,971	174,854,095
Unallocated assets	-	-	-	2,642,564,673
				<u>4,342,508,861</u>
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,416,044,916	161,136,803	721,449,292	2,298,631,011
Unearned reinsurance commission	-	557,769	39,214,903	39,772,672
Gross outstanding claims	913,459,313	99,791,953	438,654,648	1,451,905,914
Unallocated liabilities	-	-	-	552,199,264
				<u>4,342,508,861</u>

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period was calculated by dividing the net income for the period by the weighted average number of shares issued and outstanding during the period amounting to 100 million shares.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 September 2014

14. SHARE CAPITAL

The authorized and paid up share capital of the Company is 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, have been subscribed by the general public.

15. STATUTORY RESERVE

In accordance with its Bye-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.

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 02 Muharram 1436H (corresponding to 26 October 2014).