
**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 THREE MONTH PERIOD ENDED
31 MARCH 2015**

**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 three month period ended 31 March 2015**

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KPMG Al Fozan & Al Sadhan



**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 31 March 2015 and the related interim statements of income - insurance operations and accumulated surplus, income and comprehensive income - shareholders' operations, changes in shareholders' equity and cash flows for insurance and shareholders' operations for the three - month period ended 31 March 2015 and the related notes 1 to 17 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.

KPMG Al Fozan & Al Sadhan
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Khalil Ibrahim Al Sedais
Certified Public Accountant
Licence No. 371



PricewaterhouseCoopers
P. O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Khalid A. Mahdhar
Certified Public Accountant
Licence No. 368



2 Rajab 1436H
21 April 2015

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

(Amounts in SR)

	Notes	31 March 2015 (Unaudited)	31 December 2014 (Audited)
INSURANCE OPERATIONS' ASSETS			
Bank balances and cash	5	562,795,602	688,967,126
Time deposits	6	152,023,203	227,222,265
Policyholders' and reinsurance balances receivable, net	7	1,950,307,937	1,325,049,622
Investments	8a	98,152,636	97,732,546
Due from related parties	11a	73,776,334	73,751,591
Due from shareholders' operations		47,012,083	-
Reinsurers' share of outstanding claims		724,305,219	651,679,235
Reinsurers' share of unearned premiums		977,575,883	1,033,651,418
Deferred policy acquisition costs		247,483,388	200,486,008
Prepayments and other assets		44,528,123	27,212,521
Property and equipment, net		50,875,488	51,563,979
TOTAL INSURANCE OPERATIONS' ASSETS		4,928,835,896	4,377,316,311
SHAREHOLDERS' ASSETS			
Bank balances and cash	5	153,595,929	241,618,786
Time deposits	6	155,118,317	-
Due from insurance operations		-	60,873,479
Investments	8b	272,222,780	270,415,402
Prepayments and other assets		1,928,262	1,678,647
Investment in an associate	9	8,723,271	6,000,000
Land		30,000,000	30,000,000
Statutory deposit	10	107,382,259	107,382,259
Goodwill		480,000,000	480,000,000
TOTAL SHAREHOLDERS' ASSETS		1,208,970,818	1,197,968,573
TOTAL ASSETS		6,137,806,714	5,575,284,884




The accompanying notes 1 to 17 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 31 March 2015

(Amounts in SR)

	Notes	31 March 2015 (Unaudited)	31 December 2014 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		1,446,664,338	1,272,301,117
Due to related parties	11a	39,260,407	28,178,554
Due to shareholders' operations		-	60,873,479
Accounts and commission payable		78,591,996	180,814,057
Accrued expenses and other liabilities		111,845,570	78,245,287
Reinsurance balances payable		175,395,887	84,139,436
Surplus distribution payable		106,591,151	106,591,151
Unearned reinsurance commission		56,701,003	73,457,867
Gross unearned premiums		2,898,457,098	2,483,739,078
Other claim reserves		13,063,969	7,131,898
TOTAL INSURANCE OPERATIONS' LIABILITIES		4,926,571,419	4,375,471,924
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	8a	2,264,477	1,844,387
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		4,928,835,896	4,377,316,311
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		3,181,979	2,391,777
Provision for zakat and income tax		21,545,760	19,506,624
Due to insurance operations		47,012,083	-
TOTAL SHAREHOLDERS' LIABILITIES		71,739,822	21,898,401
SHAREHOLDERS' EQUITY			
Share capital	14	1,000,000,000	1,000,000,000
Statutory reserve	15	146,134,974	146,134,974
Accumulated (deficit) / surplus		(34,408,282)	19,989,704
Cumulative change in fair values of available for sale investments	8b	25,504,304	9,945,494
TOTAL SHAREHOLDERS' EQUITY		1,137,230,996	1,176,070,172
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,208,970,818	1,197,968,573
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		6,137,806,714	5,575,284,884




The accompanying notes 1 to 17 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 INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

(Amounts in SR)

	<i>Notes</i>	31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
Gross premiums written		1,515,759,591	1,163,595,290
Less: Reinsurance premiums ceded		(213,405,505)	(257,893,394)
Excess of loss premiums		(2,762,692)	(3,865,957)
NET PREMIUMS WRITTEN		1,299,591,394	901,835,939
Change in unearned premiums, net		(470,793,555)	(97,193,809)
NET PREMIUMS EARNED		828,797,839	804,642,130
Gross claims paid and other expenses		(900,339,886)	(672,972,887)
Reinsurers' share of gross claims paid		216,353,485	139,863,395
Change in outstanding claims, net		(101,737,237)	(142,620,664)
Change in other claim reserves		(5,932,071)	144,284
NET CLAIMS INCURRED		(791,655,709)	(675,585,872)
Policy acquisition costs		(51,694,177)	(40,895,027)
Reinsurance commission income		52,772,286	19,243,583
NET UNDERWRITING RESULT		38,220,239	107,404,814
General and administrative expenses		(96,201,011)	(72,924,085)
Special commission income		1,356,317	3,022,784
Other income		16,497,997	16,783,313
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	2	(40,126,458)	54,286,826
Shareholders' appropriation from insurance operations' surplus	2	40,126,458	(48,858,143)
ACCUMULATED SURPLUS AT THE END OF THE PERIOD		-	5,428,683

The accompanying notes 1 to 17 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 INCOME - SHAREHOLDERS' OPERATIONS
(Amounts in SR)

	<i>Notes</i>	31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
INCOME			
Shareholders' appropriation from insurance operations' (deficit) / surplus	2	(40,126,458)	48,858,143
Special commission income		1,514,312	3,055,388
Realised loss on sale of available for sale investments		-	(233,615)
Dividend income on available for sale investments		207,921	105,143
Income from investment in an associate		2,723,271	-
		<u>(35,680,954)</u>	<u>51,785,059</u>
EXPENSES			
General and administrative		(2,926,464)	(973,477)
Impairment losses on available for sale investments		(13,751,432)	-
		<u>(16,677,896)</u>	<u>(973,477)</u>
NET (LOSS) / INCOME FOR THE PERIOD		<u>(52,358,850)</u>	<u>50,811,582</u>
BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE FOR THE PERIOD	13	<u>(0.524)</u>	<u>0.508</u>




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

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(Amounts in SR)

	<i>31 March 2015 (Unaudited)</i>	<i>31 March 2014 (Unaudited)</i>
NET (LOSS) / INCOME FOR THE PERIOD	<u>(52,358,850)</u>	<u>50,811,582</u>
Other comprehensive (loss) / income:		
Items that will not be reclassified to interim condensed statement of income in subsequent period		
<u>Zakat and income tax</u>	(2,039,136)	(6,721,101)
Items that are or may be reclassified to interim condensed statement of income in subsequent period		
<u>Available for sale investments</u>		
Net change in fair values	15,558,810	3,463,459
Loss transferred to interim condensed statement of income	-	(233,615)
Other comprehensive income for the period	<u>15,558,810</u>	<u>3,229,844</u>
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	<u><u>(38,839,176)</u></u>	<u><u>47,320,325</u></u>




The accompanying notes 1 to 17 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 three month period ended 31 March 2015

(Amounts in SR)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated deficit</i>	<i>Cumulative change In fair value of available for sale investments</i>	<i>Total</i>
Balance at 1 January 2015 (Audited)	1,000,000,000	146,134,974	19,989,704	9,945,494	1,176,070,172
Total comprehensive (loss) / income for the period					
Net loss for the period	-	-	(52,358,850)	-	(52,358,850)
Zakat and income tax	-	-	(2,039,136)	-	(2,039,136)
Net change in fair values	-	-	-	15,558,810	15,558,810
Balance at 31 March 2015 (Unaudited)	1,000,000,000	146,134,974	(34,408,282)	25,504,304	1,137,230,996
Balance at 1 January 2014 (Audited)	1,000,000,000	139,374,369	(159,694,752)	16,254,049	995,933,666
Total comprehensive income for the period					
Net income for the period	-	-	50,811,582	-	50,811,582
Zakat and income tax	-	-	(6,721,101)	-	(6,721,101)
Net change in fair values	-	-	-	3,463,459	3,463,459
Net amount transferred to interim statement of income- shareholders' operations	-	-	-	(233,615)	(233,615)
Balance at 31 March 2014 (Unaudited)	1,000,000,000	139,374,369	(115,604,271)	19,483,893	1,043,253,991




The accompanying notes 1 to 17 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 three month period ended 31 March 2015

(Amounts in SR)

	Notes	31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		-	5,428,683
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from operating activities:</i>			
Depreciation		2,242,915	3,383,621
Special commission income		(1,356,317)	(2,107,108)
Gain on sale of property and equipment, net		-	(571)
Cash from operations		886,598	6,704,625
<i>Changes in operating assets and liabilities:</i>			
Gross unearned premiums		414,718,020	82,513,086
Reinsurers' share of unearned premiums		56,075,535	14,680,723
Policyholders' and reinsurance balances receivable		(625,258,315)	(313,399,449)
Due from related parties		(24,743)	9,847,224
Due to related parties		11,081,853	(5,424,213)
Reinsurers' share of outstanding claims		(72,625,984)	(37,864,549)
Deferred policy acquisition costs		(46,997,380)	(18,330,824)
Prepayments and other assets		(17,315,602)	(161,986,825)
Deposit Against letters of guarantee		398,385	(2,849,810)
Gross outstanding claims		174,363,221	180,485,213
Due (to) / from shareholders' operations, net		(107,885,562)	377,632,324
Accounts and commissions payable		(102,222,061)	24,807,042
Accrued expenses and other liabilities		33,600,283	12,602,211
Reinsurance balances payable		91,256,451	(87,758,160)
Unearned reinsurance commission		(16,756,864)	10,259,010
Other reserves		5,932,071	(144,283)
Net cash (used in) / from operating activities		(200,774,094)	91,773,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		75,199,062	(178,404,498)
Special commission income		1,356,317	2,107,108
Proceeds from sale of property and equipment		73,897	1,900
Purchase of available for sale investments		-	(10,000,000)
Purchase of property and equipment		(1,628,321)	(5,349,795)
Net cash from / (used in) investing activities		75,000,955	(191,645,285)
DECREASE IN CASH AND CASH EQUIVALENTS		(125,773,139)	(99,871,940)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	673,942,171	679,544,481
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	548,169,032	579,672,541
<i>Non-cash transaction:</i>			
Change in fair values of available for sale investments		420,090	164,287

The accompanying notes 1 to 17 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 three month period ended 31 March 2015

(Amounts in SR)

	Notes	31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the period		(52,358,850)	50,811,582
<i>Adjustments for:</i>			
Special commission income		(1,514,312)	(3,055,388)
Dividend income on available for sale investments		(207,921)	(105,143)
Realised gain on sale of available for sale investments		-	233,615
Income from investment in associate		(2,723,271)	-
Impairment losses on available for sale investment		13,751,432	-
Cash from operations		(43,052,922)	47,884,666
<i>Changes in operating assets and liabilities:</i>			
Due from / (to) insurance operations, net		107,885,562	(377,632,324)
Prepayments and other assets		(249,615)	257,033
Accrued expenses and other liabilities		790,202	(210,000)
Net cash from / (used in) operating activities		65,373,227	(329,700,625)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		(155,118,317)	53,328,417
Proceeds from sale of available for sale investments		-	9,319
Special commission income		1,514,312	3,055,388
Dividend income on available for sale investments		207,921	105,143
Net cash (used in) / from investing activities		(153,396,084)	56,498,267
DECREASE IN CASH AND CASH EQUIVALENTS		(88,022,857)	(273,202,358)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	241,618,786	322,102,719
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	153,595,929	48,900,361
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		15,558,810	3,229,844




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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2015

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 three month period ended 31 March 2015 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 2014.

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' deficit of the Company for the three month period ended 31 March 2015 amounted to SR 40,126,458 (31 March 2014: surplus of SR 54,286,826). Accordingly, there were no transfer from insurance operation to shareholders' operation for the period ended 31 March 2015 (31 March 2014: 90% of insurance operation surplus amounting to SR 48,858,143 has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 5,428,683).

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 accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2014 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had an no significant financial impact on the interim condensed financial statements of the Company on the current period or prior period and is expected to have no significant effect in future periods:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 March 2015

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

New and amended standards issued and adopted

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

IFRS 1 – “first time adoption of IFRS”: the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

IFRS 2 amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’.

IFRS 3 – “business combinations” amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

IFRS 8 – “operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

IAS 16 – “Property plant and equipment” and IAS 38 – “intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 – “related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

IAS 40 – “investment property” clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

Standards issued but not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

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

(Continued)

31 March 2015

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

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

5. BANK BALANCES AND CASH

	31 March 2015 (Unaudited)		31 December 2014 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash in hand and at banks	295,168,841	147,546,387	446,466,406	18,120,186
Short-term time deposits	253,000,191	6,049,542	227,475,765	223,498,600
Cash and cash equivalents in the statement of cash flows	548,169,032	153,595,929	673,942,171	241,618,786
Deposits against letters of guarantee	14,626,570	-	15,024,955	-
	562,795,602	153,595,929	688,967,126	241,618,786

Cash at banks and short term time 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 time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 0.35% per annum (31 December 2014: 0.77% per annum).

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

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

(Continued)

31 March 2015

6. TIME DEPOSITS

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

Time 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 0.92% per annum (31 December 2014: 1.09% per annum).

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

7. POLICYHOLDERS' AND REINSURANCE BALANCES RECEIVABLE, NET

	<i>31 March 2015</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR</i>
Policyholders' receivable	1,731,377,157	1,229,689,664
Less: Provision for doubtful debts	<u>(137,862,328)</u>	<u>(136,570,377)</u>
	<u>1,593,514,829</u>	<u>1,093,119,287</u>
Reinsurance balances receivable	360,432,312	236,861,490
Less: Provision for doubtful debts	<u>(3,639,204)</u>	<u>(4,931,155)</u>
	<u>356,793,108</u>	<u>231,930,335</u>
Total policyholders and reinsurance balances receivable, net	<u><u>1,950,307,937</u></u>	<u><u>1,325,049,622</u></u>

8. INVESTMENTS

Investments are classified as set out below:

(a) *Insurance operations – Available for sale investments*

	<i>31 March 2015</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR</i>
Mutual funds	32,838,220	32,764,819
Bonds	37,971,563	38,027,812
Sukuk	25,000,000	25,000,000
Equities	<u>2,342,853</u>	<u>1,939,915</u>
Total	<u><u>98,152,636</u></u>	<u><u>97,732,546</u></u>

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8. INVESTMENTS (Continued)

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

	<i>31 March 2015</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR</i>
At the beginning of the period / year	97,732,546	90,875,000
Purchase during the period / year	-	26,632,650
Sold during the period / year	-	(20,000,000)
	<u>97,732,546</u>	<u>97,507,650</u>
Net change in fair values	420,090	224,896
	<u>98,152,636</u>	<u>97,732,546</u>

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 2,264,477 (31 December 2014: SR 1,844,387) is presented within insurance operations' surplus' in the statement of financial position.

(b) Shareholders' operations – Available for sale investments

	<i>31 March 2015</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR</i>
Mutual funds	91,048,593	89,299,836
Bonds	100,019,250	97,795,483
Sukuk	58,581,480	58,581,480
Equities	22,573,457	24,738,603
	<u>272,222,780</u>	<u>270,415,402</u>

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

	<i>31 March 2015</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2014</i> <i>(Audited)</i> <i>SR</i>
At the beginning of the period / year	270,415,402	211,127,052
Purchased during the period / year	-	122,627,339
Sold during the period / year	-	(56,009,319)
	<u>270,415,402</u>	<u>277,745,072</u>
Realised loss	-	(1,021,115)
Impairment loss	(13,751,432)	-
Net change in fair values	15,558,810	(6,308,555)
	<u>272,222,780</u>	<u>270,415,402</u>

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8. INVESTMENTS (Continued)

(b) Shareholders' operations – Available for sale investments

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 25,504,304 (31 December 2014: SR 9,945,494) is presented within shareholders' equity in the 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 (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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:

	31 March 2015 (Unaudited)			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	116,514,313	7,372,500	-	123,886,813
Bonds	9,997,500	127,993,313	-	137,990,813
Sukuk	17,585,500	65,995,980	-	83,581,480
Equities	22,993,232	-	-	22,993,232
<i>Total available for sale investments</i>	<u>167,090,545</u>	<u>201,361,793</u>	<u>-</u>	<u>368,452,338</u>
	31 December 2014 (Audited)			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Available for sale investments</i>				
Mutual funds	114,384,655	7,680,000	-	122,064,655
Bonds	9,997,500	125,825,795	-	135,823,295
Sukuk	17,585,500	65,995,980	-	83,581,480
Equities	24,755,440	-	-	24,755,440
<i>Total available for sale investments</i>	<u>166,723,095</u>	<u>199,501,775</u>	<u>-</u>	<u>366,224,870</u>

The unlisted security amounting to SR 1,923,078 was stated at cost in the absence of active markets or other means of reliably measuring their fair value.

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9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 8,723,271 (a 25% equity interest) (2014: SR 6,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

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 and their balances at the end of the period / year:

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		31 March 2015 SR	31 March 2014 SR	31 March 2015 SR	31 December 2014 SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due from related parties					
Medgulf BSC - Head office account (<i>parent company</i>)	-Claims paid on behalf of parent company	-	1,348,960	-	-
	-Operational expenses paid on behalf of parent company, CEO & members of BOD	-	571,450	-	-
	-Balance due from at period / year end	-	-	23,879,189	23,879,189
Medgulf BSC - Operation account (<i>parent company</i>)	-Personal expenses paid on behalf of BOD	-	18,144	-	-
	-Expenses paid on behalf of parent company	-	953,324	-	-
	-Reinsurance recoveries on behalf of parent company	3,947	-	-	-
	-Payment received on behalf of parent company	-	2,786	-	-
	-Balance due from at period / year end	-	-	24,300,989	24,297,042
Medgulf Egypt (<i>fellow subsidiary</i>)	-Balance due from at period / year end	-	-	57,797	57,797

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		31 March 2015	31 March 2014	31 March 2015	31 December 2014
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due from related parties (continued)					
Medgulf Jordan (fellow subsidiary)	-Balance due from at period / year end	-	-	25,248	25,248
Allianz Bahrain (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	3,500	-	-
Medgulf Lebanon SAL (fellow subsidiary)	-Claims paid by fellow subsidiary on behalf of Medgulf KSA	-	253,625	-	-
	-Expenses paid by fellow subsidiary on behalf of Medgulf KSA	-	259,524	-	-
	-Expenses paid on behalf of fellow subsidiary	-	1,696,406	-	-
	-Balance due from at period / year end	-	-	1,074,616	1,074,616
Al Samiya Trading Co (fellow subsidiary)	-Commissions	-	15,559,364	-	-
	-Expenses paid on behalf of fellow subsidiary	-	1,447,598	-	-
	-Gross written premiums	20,800	666,092	-	-
	-Payment received from fellow subsidiary	-	826	-	-
	-Premium refundable	-	19,051	-	-
	-Claims for fellow subsidiary	-	110,079	-	-
	-Claims paid	-	110,079	-	-
	-Balance due from at period / year end	-	-	449,147	428,351
Motion al-Saudia (fellow subsidiary) (in liquidation)	-Balance due from at period / year end	-	-	10,924,474	10,924,474

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		31 March 2015 SR (Unaudited)	31 March 2014 SR (Unaudited)	31 March 2015 SR (Unaudited)	31 December 2014 SR (Audited)
Due from related parties (continued)					
Addison Bradley Arabia- KSA – (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	2,994,141	-	-
	-Insurance for employees of fellow subsidiary	-	45,860	-	-
	-Premium refundable	-	2,576	-	-
	-Balance due from at period / year end	-	-	13,064,874	13,064,874
				73,776,334	73,751,591
Due to related parties					
Medivisa KSA (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	254,828	-	-
	-Insurance premium for employees of fellow subsidiary	2,795,327	2,328,322	-	-
	-TPA fees	36,327,783	28,902,090	-	-
	-Claim payable	46,960	7,197	-	-
	-Expenses paid by fellow subsidiary on behalf of Medgulf KSA	-	46,381	-	-
	-Premium refundable	98,116	42,518	-	-
	-Payment on TPA fees	22,657,641	20,754,498	-	-
	-Payment received from fellow subsidiary	10,970	-	-	-
	-Balance due to at period / year end	-	-	38,983,757	27,969,793
Medivisa KSA (fellow subsidiary)	-5% Withholding taxes paid on behalf of Medgulf KSA (Jordan)	67,889	13,996	-	-
	-Balance due to at period / year end	-	-	276,650	208,761
				39,260,407	28,178,554

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		31 March 2015	31 March 2014	31 March 2015	31 December 2014
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The Saudi Investment Bank, (Founding shareholders)	-Current account and time deposits	668,433	1,198,124	10,541,675	9,873,242
	-Statutory deposit (refer note 10.1)	-	20,870,556	107,382,259	107,382,259
	-Gross written premiums	387,058	77,409	-	-
	-Premium refundable	-	-	221,317	(1,324,146)
	-Claims incurred	(257,159)	(329,962)	-	-
	-Outstanding claims payable / (recovery)	-	-	(1,379,784)	1,413
Al Istithmar Capital (subsidiary of SIB-founding shareholders)	-Discretionary portfolio arrangement (refer 10.2)	698,883	713,739	55,833,591	55,134,708
Banque de Credit National (Common ownership and directors)	-Current account and time deposits	(18,974)	67,461	-	18,974
	-Commission income on time deposits	-	69,241	-	-
Saudi Orix (Shareholders of the parent company)	-Investment in Sukuk	-	-	7,500,000	7,500,000
	-Income on Sukuk	45,920	48,863	-	-
	-Gross written premiums	25,233,816	20,830,123	-	-
	-Premiums receivables	-	-	21,247,987	1,809,703
	-Claims incurred	(4,431,456)	(3,802,595)	-	-
	-Outstanding claims payable / recovery	-	-	19,459	11,611
Creative solutions restaurants Co. (Under common directorship)	-Gross written premiums	22,339	-	-	-
	-Premiums receivables	-	-	22,339	16,045
Prime health insurance (fellow subsidiary)	-Medical claim administration fees paid	97,738	-	-	-
	-Medical claim administration fees payables	-	-	(275,073)	(177,335)

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		31 March 2015	31 March 2014	31 March 2015	31 December 2014
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Safari Group of companies (common Directorship)	-Gross written premiums	11,604,548	8,391,469	-	-
	-Premiums refundable / receivables	-	-	10,010,865	(559,644)
	-Claims incurred	2,227,993	2,626,901	-	-
	-Claims payable	-	-	(145,857)	(117,777)
Khalid A. Al Shathry Construction Company (Under common directorship)	-Gross written premiums	17,853	37,201	-	-
	-Premiums receivables	-	-	85,119	87,266
	-Claims incurred	4,803	46,035	-	-
	-Outstanding claims	-	-	882	250
Khalid A. Al Shathry (individual motor policies)	-Premiums receivables	-	-	993,199	1,137,199
	-Outstanding claims	-	-	5,980	5,980
Al Jasamah establishment (Under common directorship)	-Gross written premiums	148,169	146,267	-	-
	-Claims incurred	93,476	6,257	-	-
	-Outstanding claims	-	-	(8,061)	(8,061)
Medgulf BSC (parent company)	-Reinsurance premiums ceded, claim recoveries and reinsurance commission income	90,981,136	14,784,226	-	-
	-Receivables / (payables)	-	-	131,394,836	40,413,700
Addison Bradley Overseas (fellow subsidiary)	-Reinsurance premiums ceded	53,850	-	-	-
	-Reinsurance claim recoveries	14,434,619	-	53,722,328	39,341,559
Addison Bradley Arabia Holding LLC (UAE) (fellow subsidiary)	-Reinsurance claim recoveries	1,782	-	2,692,320	2,690,538
SIB LLC (UAE) (fellow subsidiary)	-Balance due to at period / year end	-	-	(31,472)	(31,472)

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the three month period ended		Balance	
		31 March 2015	31 March 2014	31 March 2015	31 December 2014
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Addison Bradley Arabia- KSA – Brokerage commission	-Brokerage commission	4,119	14,002	-	-
commission (fellow subsidiary)	-Payment to fellow subsidiary	-	18,273	-	-
Addison Bradley Arabia- KSA – reinsurance broker (fellow subsidiary)	-Reinsurance premiums ceded	2,143	297,056	-	-
	-Reinsurance claim recoveries	194,173	6,789,586	-	-
	-Collection from recoveries	(6,145,217)	-	-	-
Addison Bradley Arabia-KSA (fellow subsidiary)	-Reinsurance receivables / (payables)	-	-	(2,465,919)	3,487,268
	-Premiums receivables	-	-	1,401,729	1,405,848
Emad J. Baban (individual motor policies of Director)	-Gross written premiums	18,681	21,175	-	-
Saleh Al-Sagri (individual motor policies of Director)	-Gross written premiums	143,131	16,993	-	-
	-Premiums receivables	-	-	70,064	70,759
	-Outstanding claims	-	-	-	(21,834)

11.1 Statutory deposit has been placed with the Saudi Investment Bank at the commission rate of 0.7% per annum.

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

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

	31 March 2015 (Unaudited) (SR)	31 March 2014 (Unaudited) (SR)
Short term benefits	13,178,116	3,271,340
End of service benefits	1,368,108	94,937
	<u>14,546,224</u>	<u>3,366,277</u>

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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.

Operating segments

*For the three month period ended
March 2015 (Unaudited)*

	<u>Medical SR</u>	<u>Motor SR</u>	<u>Others SR</u>	<u>Total SR</u>
<i>Insurance operations</i>				
Gross premiums written	1,060,507,977	288,766,467	166,485,147	1,515,759,591
Net premiums written	1,057,883,733	203,319,435	38,388,226	1,299,591,394
Net premiums earned	661,151,085	143,141,157	24,505,597	828,797,839
Net claims incurred	(631,690,805)	(153,795,404)	(6,169,500)	(791,655,709)
Policy acquisition costs	(36,749,969)	(6,457,882)	(8,486,326)	(51,694,177)
Reinsurance commission income	20,735,416	16,816,067	15,220,803	52,772,286
Net underwriting result	13,445,727	(296,062)	25,070,574	38,220,239
General and administrative expenses				(96,201,011)
Special commission income and other income				17,854,314
Insurance operations' deficit				(40,126,458)

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12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the three month period ended
March 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	843,301,597	175,145,734	145,147,959	1,163,595,290
Net premiums written	716,806,357	146,826,099	38,203,483	901,835,939
Net premiums earned	690,109,787	94,019,593	20,512,750	804,642,130
Net claims incurred	(586,607,091)	(85,435,153)	(3,543,628)	(675,585,872)
Policy acquisition costs	(31,971,678)	(5,379,338)	(3,544,011)	(40,895,027)
Reinsurance commission income	12,649,524	2,538,674	4,055,385	19,243,583
Net underwriting result	84,180,542	5,900,256	17,324,016	107,404,814
General and administrative expenses				(72,924,085)
Special commission income and other income				19,806,097
Insurance operations' deficit				54,286,826

*As at 31 March 2015
(Unaudited)*

	<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	113,219,678	107,124,278	757,231,927	977,575,883
Reinsurers' share of outstanding claims	93,600,488	41,880,441	588,824,290	724,305,219
Deferred policy acquisition costs	188,345,681	21,620,553	37,517,154	247,483,388
Unallocated assets	-	-	-	2,979,471,406
				4,928,835,896
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,639,929,636	413,695,838	844,831,624	2,898,457,098
Unearned reinsurance commission	136,460	9,814,352	46,750,191	56,701,003
Gross outstanding claims	713,204,251	118,425,275	615,034,812	1,446,664,338
Unallocated liabilities	-	-	-	527,013,457
				4,928,835,896

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12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

<i>As at 31 December 2014 (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	199,407,761	61,598,321	772,645,336	1,033,651,418
Reinsurers' share of outstanding claims	99,855,122	43,776,078	508,048,035	651,679,235
Deferred policy acquisition costs	156,856,792	12,506,742	31,122,474	200,486,008
Unallocated assets	-	-	-	2,491,499,650
				<u>4,377,316,311</u>
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,329,385,070	307,991,603	846,362,405	2,483,739,078
Unearned reinsurance commission	20,609,453	8,112,774	44,735,640	73,457,867
Gross outstanding claims	622,120,487	114,966,245	535,214,385	1,272,301,117
Unallocated liabilities	-	-	-	547,818,249
				<u>4,377,316,311</u>

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

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

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 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.

16. COMPARATIVE INFORMATION

Comparative information has been reclassified to conform with current period presentation.

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 30 Jumada II 1436H (corresponding to 19 April 2015).