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

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

**FOR THE THREE MONTH AND TWELVE MONTH PERIOD ENDED
31 DECEMBER 2015**

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

**Unaudited Interim Condensed Financial Statements and Independent Auditors' Limited Review Report
For the three month and twelve month period ended 31 December 2015**

INDEX	PAGE
Independent Auditors' Review Report	1
Statement of Financial Position	2 – 3
Interim Statement of Income - Insurance Operations and Accumulated Surplus	4
Interim Statement of Income - 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 – 28

**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 December 2015 and the related interim statements of income - insurance operations and accumulated surplus, income and comprehensive income - shareholders' operations for the three month and twelve month periods then ended, the related interim statements of changes in shareholders' equity and cash flows for insurance and shareholders' operations for the twelve month period ended 31 December 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 limited 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 limited 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.

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



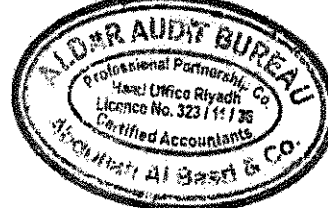
Khalid A. Mahdhar
Certified Public Accountant
Licence Number 368



Aldar Audit Bureau
Abdullah Al Basri & Co.
P. O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia



Abdullah M. Al Basri
Certified Public Accountant
Licence Number 171



11 Rabi Al-Thani 1437H
21 January 2016

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(Amounts in SR'000)

	<i>Notes</i>	31 December 2015 (Unaudited)	31 December 2014 (Audited)
INSURANCE OPERATIONS' ASSETS			
Bank balances and cash	5	595,318	688,967
Time deposits	6	197,790	227,222
Policyholders' and reinsurance balances receivable	7	1,688,147	1,325,050
Investments	8a,11a	60,224	97,733
Due from related parties	11a	72,606	73,752
Due from shareholders' operations		157,118	-
Reinsurers' share of outstanding claims		671,314	651,679
Reinsurers' share of unearned premiums		713,158	1,033,651
Deferred policy acquisition costs		181,807	200,486
Prepayments and other assets		54,851	27,212
Property and equipment, net		55,219	51,564
TOTAL INSURANCE OPERATIONS' ASSETS		4,447,552	4,377,316
SHAREHOLDERS' ASSETS			
Bank balances and cash	5	108,912	241,619
Time deposits	6	96,052	-
Due from insurance operations		-	60,874
Investments	8b,11a	242,014	270,415
Prepayments and other assets		1,782	1,679
Investment in an associate	9	12,095	6,000
Land		30,000	30,000
Statutory deposit	10	107,757	107,382
Goodwill		480,000	480,000
TOTAL SHAREHOLDERS' ASSETS		1,078,612	1,197,969
TOTAL ASSETS		5,526,164	5,575,285




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 December 2015

(Amounts in SR'000)

	Notes	31 December 2015 (Unaudited)	31 December 2014 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		1,664,788	1,272,301
Due to related parties	11a	40,589	28,179
Due to shareholders' operations		-	60,874
Accounts and commission payable		211,837	180,814
Accrued expenses and other liabilities		156,593	78,245
Reinsurance balances payable		120,216	84,139
Surplus distribution payable		106,591	106,591
Unearned reinsurance commission		56,315	73,458
Gross unearned premiums		2,054,448	2,483,739
Other claim reserves		34,350	7,132
TOTAL INSURANCE OPERATIONS' LIABILITIES		4,445,727	4,375,472
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	8a	1,825	1,844
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		4,447,552	4,377,316
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		8,519	2,392
Provision for zakat and income tax		844	19,507
Due to insurance operations		157,118	-
TOTAL SHAREHOLDERS' LIABILITIES		166,481	21,899
SHAREHOLDERS' EQUITY			
Share capital	14	1,000,000	1,000,000
Statutory reserve	15	146,135	146,135
Accumulated (deficit) / surplus		(249,265)	19,990
Cumulative change in fair values of available for sale investments	8b	15,261	9,945
TOTAL SHAREHOLDERS' EQUITY		912,131	1,176,070
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,078,612	1,197,969
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		5,526,164	5,575,285

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'000)

	<i>For the three month period ended</i>		<i>For the twelve month period ended</i>	
	<i>31 December 2015</i>	<i>31 December 2014</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(audited)</i>
Gross premiums written		583,479	850,436	4,415,993
Less: Reinsurance premiums ceded		(129,493)	(352,318)	(1,197,206)
Excess of loss premiums		(5,565)	(9,321)	(20,740)
NET PREMIUMS WRITTEN		448,421	488,797	3,198,047
Change in unearned premiums, net		409,290	264,379	(70,860)
NET PREMIUMS EARNED		857,711	753,176	3,127,187
Gross claims paid and other expenses		(918,072)	(1,110,618)	(3,541,412)
Reinsurers' share of gross claims paid		149,036	224,356	694,946
Change in outstanding claims, net		(67,397)	246,726	225,597
Change in other claim reserves		(16,665)	8,547	(804)
NET CLAIMS INCURRED		(853,098)	(630,989)	(2,621,673)
Policy acquisition costs		(57,655)	(41,581)	(162,691)
Reinsurance commission income		19,552	22,317	78,593
NET UNDERWRITING RESULT		(33,490)	102,923	421,416
General and administrative expenses		(114,824)	(75,920)	(290,726)
Special commission income		1,987	1,437	7,888
Other income		20,461	29,055	71,375
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS		(125,866)	57,495	209,953
Shareholders' appropriation from insurance operations' (deficit) / surplus	2	(125,866)	(51,745)	(188,958)
ACCUMULATED SURPLUS AT THE END OF THE PERIOD		-	5,750	20,995



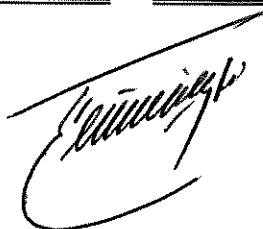

The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INCOME - SHAREHOLDERS' OPERATIONS

(Amounts in SR'000)

	Notes	<i>For the three month period ended</i>		<i>For the twelve month period ended</i>	
		<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Unaudited)</i>	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (audited)</i>
INCOME					
Shareholders' appropriation from insurance operations' (deficit) / surplus	2	(125,866)	51,745	(249,220)	188,958
Special commission income		2,112	1,026	7,110	7,312
Realised gain / (loss) on sale of available for sale investments		61	-	774	(1,021)
Dividend income on available for sale investments		(225)	114	996	1,831
Income from investment in an associate		3,372	-	6,095	-
		<u>(120,546)</u>	<u>52,885</u>	<u>(234,245)</u>	<u>197,080</u>
EXPENSES					
General and administrative		(2,770)	(1,024)	(10,829)	(3,582)
Impairment losses on available for sale investments	8b	(2,442)	-	(16,193)	-
		<u>(5,212)</u>	<u>(1,024)</u>	<u>(27,022)</u>	<u>(3,582)</u>
NET (LOSS) / INCOME FOR THE PERIOD		<u>(125,758)</u>	<u>51,861</u>	<u>(261,267)</u>	<u>193,498</u>
BASIC AND DILUTED (LOSSES) / EARNINGS PER SHARE FOR THE PERIOD	13	<u>(1.26)</u>	<u>0.52</u>	<u>(2.61)</u>	<u>1.93</u>

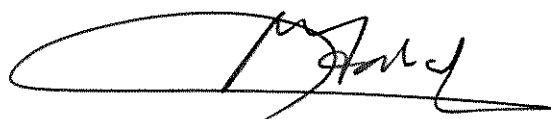



The accompanying notes 1 to 17 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(Amounts in SR'000)

	<i>For the three month period ended</i>		<i>For the twelve month period ended</i>	
	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (Unaudited)</i>	<i>31 December 2015 (Unaudited)</i>	<i>31 December 2014 (audited)</i>
NET (LOSS) / INCOME FOR THE PERIOD	(125,758)	51,861	(261,267)	193,498
Other comprehensive (loss) / income:				
Items that will not be reclassified to statement of income in subsequent period				
<u>Zakat and income tax</u>	(1,438)	11,485	(7,988)	(7,053)
Items that may be reclassified to statement of income in subsequent period				
<u>Available for sale investments</u>				
Net change in fair values	(3,617)	(18,210)	4,542	(5,288)
Loss transferred to statement of income	774	-	774	(1,021)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(130,039)	45,136	(263,939)	180,136




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 twelve month period ended 31 December 2015

(Amounts in SR'000)

	<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	146,135	19,990	9,945	1,176,070
Total comprehensive (loss) / income for the period					
Net loss for the period	-	-	(261,267)	-	(261,267)
Zakat and income tax	-	-	(7,988)	-	(7,988)
Net change in fair values	-	-	-	4,542	4,542
Net Amount Transferred to interim statement of shareholders` operations	-	-	-	774	774
Balance at 31 December 2015 (Unaudited)	1,000,000	146,135	(249,265)	15,261	912,131
Balance at 1 January 2014 (Audited)	1,000,000	139,374	(159,694)	16,254	995,934
Total comprehensive income for the period					
Net income for the period	-	-	193,498	-	193,498
Zakat and income tax	-	-	(7,053)	-	(7,053)
Net change in fair values	-	-	-	(5,288)	(5,288)
Net Amount Transferred to interim statement of shareholders` operations	-	-	-	(1,021)	(1,021)
Transfer to statutory reserve	-	6,761	(6,761)	-	-
Balance at 31 December 2014 (audited)	1,000,000	146,135	19,990	9,945	1,176,070

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 twelve month period ended 31 December 2015

(Amounts in SR'000)

	31 December 2015 <i>Note</i>	31 December 2014 <i>(audited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	-	20,995
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash used in operating activities:</i>		
Depreciation	9,073	10,040
Provision for doubtful debts	10,000	-
Special commission income	(5,902)	(7,888)
Gain on sale of property and equipment, net	(90)	(144)
Realised gain on available for sale investment	(10)	-
<i>Cash from operations</i>	<u>13,071</u>	<u>23,003</u>
<i>Changes in operating assets and liabilities:</i>		
Gross unearned premiums	(429,291)	185,108
Reinsurers' share of unearned premiums	320,493	(114,248)
Policyholders' and reinsurance balances receivable	(373,097)	(84,996)
Due from related parties	1,146	(4,912)
Due to related parties	12,410	16,098
Reinsurers' share of outstanding claims	(19,635)	(45,992)
Deferred policy acquisition costs	18,679	(25,632)
Prepayments and other assets	(27,639)	90,884
Deposit against letters of guarantee	(6,049)	(7,974)
Gross outstanding claims	392,487	(179,605)
Due (to) / from shareholders' operations, net	(217,992)	329,752
Accounts and commissions payable	31,023	107,499
Accrued expenses and other liabilities	78,348	(614)
Reinsurance balances payable	36,077	(210,263)
Unearned reinsurance commission	(17,143)	33,685
Other reserves	27,218	804
Net cash (outflow) / inflow from operating activities	<u>(159,894)</u>	<u>112,597</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Time deposits	29,432	(97,583)
Special commission income	5,902	7,888
Proceeds from sale of property and equipment	241	330
Proceeds from sale of available for sale investments	37,500	20,000
Purchase of available for sale investments	-	(26,632)
Purchase of property and equipment	(12,879)	(22,202)
Net cash inflow / (outflow) from investing activities	<u>60,196</u>	<u>(118,199)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(99,698)</u>	<u>(5,602)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5 <u>673,942</u>	<u>679,544</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 <u><u>574,244</u></u>	<u><u>673,942</u></u>
<i>Non-cash transaction:</i>		
Change in fair values of available for sale investments	<u>(19)</u>	<u>225</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 SHAREHOLDERS' CASH FLOWS

For the twelve month period ended 31 December 2015

(Amounts in SR'000)

	<i>Notes</i>	31 December 2015 (Unaudited)	31 December 2014 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the period		(261,267)	193,498
<i>Adjustments for:</i>			
Special commission income		(7,110)	(7,312)
Dividend income on available for sale investments		(996)	(1,831)
Realised (gain) / loss on sale of available for sale investments		(774)	1,021
Income from investment in associate		(6,095)	-
Impairment losses on available for sale investment		16,193	-
Cash from operations		(260,049)	185,376
<i>Changes in operating assets and liabilities:</i>			
Due from / (to) insurance operations, net		217,992	(329,752)
Prepayments and other assets		(103)	1,108
Zakat and income tax paid		(26,651)	-
Accrued expenses and other liabilities		6,127	1,492
Interest on statutory deposit		(375)	(1,073)
Net cash outflow from operating activities		(63,059)	(142,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		(96,052)	126,149
Purchase of available for sale investments		-	(122,627)
Proceeds from sale of available for sale investments		18,298	56,009
Special commission income		7,110	7,312
Dividend income on available for sale investments		996	1,831
Net cash (outflow) / inflow from investing activities		(69,648)	68,674
DECREASE IN CASH AND CASH EQUIVALENTS		(132,707)	(74,175)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	241,619	315,794
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	108,912	241,619
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		5,316	(6,309)

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)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 December 2015

(Amounts in SR'000)

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 historical 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 twelve month period ended 31 December 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 twelve month period ended 31 December 2015 amounted to SR 249,220 (31 December 2014: surplus of SR 209,953). Accordingly, there were no transfer from insurance operations to the shareholders' operations for the period ended 31 December 2015 (31 December 2014: 90% of insurance operation surplus amounting to SR 188,958 has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 20,995).

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 and presentational currency of the Company. All financial information presented has been rounded off to the nearest SAR thousands.

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 December 2015

(Amounts in SR'000)

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

IFRS 9 - Financial instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

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

Standards issued but not yet effective (continued)

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization: The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 1 - Disclosure Initiative: The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

5. BANK BALANCES AND CASH

	31 December 2015 (Unaudited)		31 December 2014 (Audited)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in hand and at banks	231,194	2,122	446,466	18,120
Short-term time deposits	343,050	106,790	227,476	223,499
Cash and cash equivalents in the statement of cash flows	574,244	108,912	673,942	241,619
Deposits against letters of guarantee	21,074	-	15,025	-
	595,318	108,912	688,967	241,619

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 1.95% 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. The 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
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

6. TIME DEPOSITS

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

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 1.38% 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

	<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
Policyholders' balances receivable	1,234,356	1,229,690
Less: Provision for doubtful debts	(147,862)	(136,570)
	1,086,494	1,093,120
Reinsurance balances receivable	605,292	236,861
Less: Provision for doubtful debts	(3,639)	(4,931)
	601,653	231,930
Total policyholders' and reinsurance balances receivable	1,688,147	1,325,050

8. INVESTMENTS

Investments are classified as set out below:

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

	<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
Mutual funds	33,070	32,765
Bonds	-	38,028
Sukuk	25,000	25,000
Equities	2,154	1,940
Total	60,224	97,733

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

8. INVESTMENTS (Continued)

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

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

	<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
At the beginning of the period	97,733	90,875
Purchase during the period	-	26,633
Sold during the period	(37,500)	(20,000)
	<u>60,233</u>	<u>97,508</u>
Realised gain	10	-
Net change in fair values	(19)	225
	<u>60,224</u>	<u>97,733</u>

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 1,825 (31 December 2014: SR 1,844) is presented within insurance operations' surplus' in the statement of financial position.

(b) Shareholders' operations – Available for sale investments

	<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
Mutual funds	74,843	89,300
Bonds	96,139	97,795
Sukuk	51,060	58,581
Equities	19,972	24,739
Total	<u>242,014</u>	<u>270,415</u>

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

	<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
At the beginning of the period	270,415	211,127
Purchased during the period	-	122,627
Sold during the period	(18,298)	(56,009)
	<u>252,117</u>	<u>277,745</u>
Realised gain / (loss)	774	(1,021)
Impairment loss	(16,193)	-
Net change in fair values	5,316	(6,309)
	<u>242,014</u>	<u>270,415</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

8. INVESTMENTS (Continued)

(b) *Shareholders' operations – Available for sale investments (Continued)*

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 15,261 (31 December 2014: SR 9,945) 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 market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which any significant input is not based on observable market data.

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:

	<i>31 December 2015 (Unaudited)</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Available for sale investments</i>				
Mutual funds	107,913	-	-	107,913
Bonds	9,998	86,141	-	96,139
Sukuk	10,064	65,996	-	76,060
Equities	20,203	-	-	20,203
<i>Total available for sale investments</i>	<u>148,178</u>	<u>152,137</u>	<u>-</u>	<u>300,315</u>
	<i>31 December 2014 (Audited)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Available for sale investments</i>				
Mutual funds	114,385	7,680	-	122,065
Bonds	9,998	125,826	-	135,824
Sukuk	17,585	65,996	-	83,581
Equities	24,755	-	-	24,755
<i>Total available for sale investments</i>	<u>166,723</u>	<u>199,502</u>	<u>-</u>	<u>366,225</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

8. INVESTMENTS (Continued)

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

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 12,095 (a 25% equity interest) (2014: SR 6,000), 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").

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

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:

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the twelve month period ended</i>		<i>Balance</i>	
		<i>31 December 2015</i>	<i>31 December 2014</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Due from related parties					
Medgulf BSC - Head office account (<i>parent company</i>)	-Claims paid on behalf of parent company	-	1,351	-	-
	-Operational expenses paid on behalf of parent company, CEO & members of BOD	-	194	-	-
	-Transfer to investment	-	1,958	-	-
	-Balance due from at period end	-	-	23,879	23,879
Medgulf BSC - Operation account (<i>parent company</i>)	-Expenses on behalf of BOD	-	18	-	-
	-Expenses paid on behalf of parent company	-	954	-	-
	-Insurance Premium for employees of parent company	-	28	-	-
	-Reinsurance recoveries on behalf of parent company (run off)	4	0	-	-
	-Premium Refundable	-	10	-	-
	-Settlement on behalf of parent company (run off)	95	3	-	-
	-Balance due from at period end	-	-	24,206	24,297
Medgulf Egypt (<i>fellow subsidiary</i>)	-Balance due from at period end	-	-	58	58

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due from related parties (continued)					
Medgulf Jordan (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	957	-	-
	-Payment received from fellow subsidiary	-	446	-	-
	-Balance due from at period end	-	-	25	25
Allianz Bahrain (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	3	-	-
	-Payment received from fellow subsidiary	-	6	-	-
Medgulf Lebanon SAL (fellow subsidiary)	-Claims paid by fellow subsidiary on behalf of Medgulf KSA	1,075	254	-	-
	-Expenses paid by fellow subsidiary on behalf of Medgulf KSA	-	260	-	-
	-Expenses paid on behalf of fellow subsidiary	-	1,696	-	-
	-Balance due from at period end	-	-	-	1,075
Motion al-Saudia (fellow subsidiary) (in liquidation)	-Balance due from at period end	-	-	10,924	10,924

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due from related parties (continued)					
Addison Bradley Arabia- KSA – (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	3,005	-	-
	-Insurance for employees of fellow subsidiary	-	62	-	-
	-Payment received from fellow subsidiary	-	21	-	-
	-Premium refundable	-	3	-	-
	-Balance due from at period end	-	-	13,065	13,066
Al Samiya Trading Co (fellow subsidiary)	-Commissions	-	40,887	-	-
	-Expenses paid on behalf of fellow subsidiary	-	1,482	-	-
	-Gross written premiums	21	813	-	-
	-Payment received from fellow subsidiary	-	42	-	-
	-Commission payment	-	41,535	-	-
	-Premium refundable	-	284	-	-
	-Claims for fellow subsidiary	-	110	-	-
	-Claims paid	-	110	-	-
	-Balance due from at period end	-	-	449	428
				72,606	73,752

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due to related parties					
Medivisa KSA (fellow subsidiary)	-Expenses paid on behalf of fellow subsidiary	-	225	-	-
	-Insurance premium for employees of fellow subsidiary	3,392	2,798	-	-
	-Third party administration fees	98,500	97,877	-	-
	-Payment medical claim	1,746	-	-	-
	-Claim payable	164	-	-	-
	-Expenses by fellow subsidiary on behalf of Medgulf KSA	-	38	-	-
	-Collection	80	-	-	-
	-Premium refundable	264	238	-	-
	-Payment on Third party administration fees	84,737	77,159	-	-
	-5% service fees paid on behalf of Medgulf KSA (Jordan)	84	-	-	-
	-Balance due to at period end	-	-	40,589	27,970
Medivisa Jordan (fellow subsidiary)	-5% service fees paid on behalf of Medgulf KSA	-	78	-	-
	-Payment to fellow subsidiary	209	-	-	-
	-Balance due to at period end	-	-	-	209
				40,589	28,179

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The Saudi Investment Bank, (Founding shareholders)	-Current account and time deposits	9,350	7,457	523	9,873
	-Statutory deposit (refer note 11.a)	375	-	107,757	107,382
	-Commission income on time deposit and statutory deposit	-	1,073	-	-
	-Gross written premiums	4,363	3,858	-	-
	-Premium refundable	-	-	(664)	(1,324)
	-Claims incurred	1,599	1,604	-	-
	-Outstanding claims payable / (recovery)	-	-	(361)	1
	Al Istithmar Capital (subsidiary of SIB-founding shareholders)	-Discretionary portfolio arrangement (refer 11.b)	28	1,298	55,163
-GCC Equity Fund		1,133	891	9,272	10,405
-Gross Written Premium		228	-	-	-
- Premium refundable		-	-	(14)	-
Banque de Credit National (Common ownership and directors)	-Current account and time deposits	19	12,175	-	19
	-Commission income on time deposits	-	278	-	-
Creative solutions restaurants Co. (Under common directorship)	-Gross written premiums	506	355	-	-
	-Claims incurred	189	149	-	-
	-Premiums receivable	-	-	2	16

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Medivisa KSA (fellow subsidiary)	-Medical claim Jordan / Balance	2,246	-	159	-
	-Medical claim Lebanon / Balance	4,351	-	-	-
	-Medical claim Egypt / Balance	328	-	19	(177)
Saudi Orix (Shareholders of the parent company)	-Investment in Sukuk/ repayment	7,500	-	-	7,500
	-Income on Sukuk	185	198	-	-
	-Gross written premiums	30,644	26,038	-	-
	-Premiums receivable	-	-	2,657	1,810
	-Claims incurred	22,777	17,989	-	-
	-Outstanding claims payable / recovery	-	-	(220)	12
Safari Group of companies (common Directorship)	-Gross written premiums	13,974	10,094	-	-
	-Premiums refundable / receivable	-	-	1,126	(560)
	-Claims incurred	12,842	14,514	-	-
	-Claims payable	-	-	(785)	(118)
Prime health insurance (fellow subsidiary)	-Medical claim administration fees paid	-	229	-	-
	-Payment to fellow subsidiary	177	-	-	-
	-Medical claim administration fees payable	-	-	-	(177)
Khalid A. Al Shathry Construction Co. (Under common directorship)	-Gross written premiums	49	46	-	-
	-Premiums receivable	-	-	119	87
	-Claims incurred	48	271	-	-

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Khalid A. Al Shathry (individual motor policies)	-Gross written premiums	51	49	-	-
	-Premiums receivables	-	-	831	1,137
	-Claims incurred	43	17	-	-
	-Outstanding claims	-	-	11	6
Al Jasamah establishment (Under common directorship)	-Gross written premiums	152	148	-	-
	-Premiums receivables	-	-	4	-
	-Claims incurred	409	45	-	-
	-Outstanding claims	-	-	(8)	(8)
Medgulf BSC (parent company)	-Reinsurance premiums ceded	3,610	446,092	-	-
	-Claim recoveries	268,728	430,684	-	-
	-Reinsurance commission income	361	44,609	-	-
	-Receivable / (payable)	-	-	305,892	40,414
Addison Bradley Overseas (fellow subsidiary)	-Reinsurance premiums ceded	61	1,417	-	-
	-Reinsurance claim recoveries	15,227	12,791	54,527	39,342
	-Collection	14,000	-	-	-
Addison Bradley Arabia Holding LLC (UAE) (fellow subsidiary)	-Reinsurance claim recoveries payable	2	0	2,692	2,691
	-Reinsurance broker commission	-	151	-	-
	-Commission cancellation	10	-	-	-
SIB LLC (UAE) (fellow subsidiary)	-Balance due to at period end	-	-	(31)	(31)
Addison Bradley Arabia-KSA (fellow subsidiary)	-Reinsurance receivable / (payable)	-	-	3,164	3,487
	-Premiums receivable	-	-	1,406	1,406

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties	Nature of transaction	Amount of transaction for the twelve month period ended		Balance	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Addison Bradley Arabia- KSA – Brokerage commission (fellow subsidiary)	-Brokerage commission	20	25	-	-
	-Payment to fellow subsidiary	-	18	-	-
	-Payment received from fellow subsidiary	-	1	-	-
	-Gross written premium to fellow subsidiary	-	3	-	-
Addison Bradley Arabia- KSA – reinsurance broker (fellow subsidiary)	-Reinsurance premiums ceded	6	546	-	-
	-Reinsurance claim recoveries	3,888	12,964	-	-
	-Direct payment to reinsurer	1,920	38	-	-
	-Ceded premium refundable	-	14	-	-
	-Collection from recoveries	6,149	-	-	-
	-Gross written premiums	19	21	-	-
Emad J. Baban (individual motor policies of Director)	-Claims incurred	33	3	-	-
	-Gross written premiums	148	65	-	-
Saleh Al-Sagri (individual motor policies of Director)	-Premiums receivable	-	-	(8)	71
	-Claims incurred	25	25	-	-
	-Outstanding claims	-	-	-	(22)

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

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

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

	31 December 2015	31 December 2014
	(Unaudited)	(Audited)
Short term benefits	23,375	20,460
End of service benefits	2,446	394
	<u>25,821</u>	<u>20,854</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

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 twelve-month period ended
December 2015 (Unaudited)*

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
<i>Insurance operations</i>				
Gross premiums written	2,811,471	666,047	524,416	4,001,934
Net premiums written	2,806,540	458,493	93,482	3,358,515
Net premiums earned	2,845,296	523,960	98,057	3,467,313
Net claims incurred	(2,578,340)	(675,217)	(15,145)	(3,268,702)
Policy acquisition costs	(162,304)	(34,058)	(30,955)	(227,317)
Reinsurance commission income	20,970	33,405	56,505	110,880
Net underwriting result	125,622	(151,910)	108,462	82,174
General and administrative expenses				(397,469)
Special commission income and other income				66,075
Insurance operations' deficit				(249,220)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the twelve-month period ended
December 2014 (audited)*

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
<i>Insurance operations</i>				
Gross premiums written	2,973,947	685,938	756,108	4,415,993
Net premiums written	2,527,957	574,760	95,330	3,198,047
Net premiums earned	2,571,316	464,754	91,117	3,127,187
Net claims incurred	(2,204,605)	(398,054)	(19,014)	(2,621,673)
Policy acquisition costs	(110,049)	(27,422)	(25,220)	(162,691)
Reinsurance commission income	24,000	10,473	44,120	78,593
Net underwriting result	280,662	49,751	91,003	421,416
General and administrative expenses				(290,726)
Special commission income and other income				79,263
Insurance operations' surplus				209,953

*For the three-month period ended
December 2015 (Unaudited)*

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
<i>Insurance operations</i>				
Gross premiums written	377,475	85,547	120,457	583,479
Net premiums written	376,293	57,196	14,932	448,421
Net premiums earned	710,089	126,867	20,755	857,711
Net claims incurred	(649,141)	(202,245)	(1,712)	(853,098)
Policy acquisition costs	(44,256)	(7,700)	(5,699)	(57,655)
Reinsurance commission income	158	5,487	13,907	19,552
Net underwriting result	16,850	(77,591)	27,251	(33,490)
General and administrative expenses				(114,824)
Special commission income and other income				22,448
Insurance operations' deficit				(125,866)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the three-month period ended
December 2014 (Unaudited)*

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
<i>Insurance operations</i>				
Gross premiums written	439,231	124,020	287,185	850,436
Net premiums written	372,247	99,926	16,624	488,797
Net premiums earned	600,781	126,524	25,871	753,176
Net claims incurred	(525,606)	(102,331)	(3,052)	(630,989)
Policy acquisition costs	(27,245)	(7,199)	(7,137)	(41,581)
Reinsurance commission income	6,510	6,170	9,637	22,317
Net underwriting result	54,440	23,164	25,319	102,923
General and administrative expenses				(75,920)
Special commission income and other income				30,492
Insurance operations' surplus				57,495

*As at 31 December 2015
(Unaudited)*

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	-	77,523	635,635	713,158
Reinsurers' share of outstanding claims	27,353	87,015	556,946	671,314
Deferred policy acquisition costs	137,520	14,955	29,332	181,807
Unallocated assets	-	-	-	2,881,273
				4,447,552
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,091,222	258,450	704,776	2,054,448
Unearned reinsurance commission	-	15,502	40,813	56,315
Gross outstanding claims	823,776	256,209	584,803	1,664,788
Unallocated liabilities	-	-	-	672,001
				4,447,552

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

31 December 2015

(Amounts in SR'000)

12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

<i>As at 31 December 2014 (Audited)</i>	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	199,408	61,598	772,645	1,033,651
Reinsurers' share of outstanding claims	99,855	43,776	508,048	651,679
Deferred policy acquisition costs	156,857	12,507	31,122	200,486
Unallocated assets	-	-	-	2,491,500
				<u>4,377,316</u>
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,329,385	307,992	846,362	2,483,739
Unearned reinsurance commission	20,609	8,113	44,736	73,458
Gross outstanding claims	622,121	114,966	535,214	1,272,301
Unallocated liabilities	-	-	-	547,818
				<u>4,377,316</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. Since there were no profits in 2015, there hasn't been any transfer to statutory reserve.

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 Rabih` Al-Tani 07, 1437H (corresponding to January 17, 2016).