

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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

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

	PAGE
INDEX	
INDEPENDENT AUDITORS' REVIEW REPORT	1
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	2-3
INTERIM CONDENSED STATEMENT OF INCOME	4
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	5
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	6
INTERIM CONDENSED STATEMENT OF CASH FLOWS	7
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	8-40

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

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (a Saudi Joint Stock Company) (the "Company") as at 31 March 2022 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying interim condensed financial information. The Company did not meet the solvency margin requirements as at 31 March 2022. The deficiency in solvency margin indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the accompanying interim condensed financial information are prepared using the going-concern assumption based on management's assessment on Company's ability to continue as a going-concern. Our conclusion is not modified with respect to this matter.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	Notes	SAR '000	
		March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
Cash and cash equivalents`	6	639,838	597,682
Short term deposits	7	50,000	50,000
Premium and reinsurers' receivable, net	8	1,310,536	838,577
Reinsurers' share of unearned premiums	10 c	247,343	260,855
Reinsurers' share of outstanding claims	10 a	437,455	546,540
Reinsurers' share of claims incurred but not reported	10 a	131,158	179,028
Deferred policy acquisition costs		78,848	49,897
Due from related parties, net	9	1,994	1,994
Prepayment and other assets, net		249,158	231,611
Available for sale investments	12	793,806	662,439
Right of use assets, net		6,033	8,129
Property and equipment, net		48,947	46,464
Intangible assets, net		21,064	12,108
Statutory deposit	13	120,000	120,000
Investment in an associate	11	11,799	11,799
Accrued commission on statutory deposit	19	28,451	28,158
Goodwill	14	480,000	480,000
TOTAL ASSETS		4,656,430	4,125,281

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



Chairman of the
Board of Directors



Chief Executive Officer



Chief Financial Officer

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT MARCH 31, 2022

	Notes	SAR '000	
		March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
<u>LIABILITIES</u>			
Accrued expenses and other liabilities		337,471	265,167
Accounts and commission payable		211,707	256,861
Lease liability		5,083	8,534
Reinsurers' balances payable		152,027	155,259
Gross unearned premiums	10 c	1,529,818	897,653
Unearned reinsurance commission		26,540	18,034
Gross outstanding claims	10 a	689,710	743,807
Claims incurred but not reported	10 a	412,972	463,364
Premium deficiency reserve	10 b	116,294	77,810
Other technical reserves	10 b	64,285	65,942
Due to a related party	9	787	2,048
End of service indemnities		28,314	28,770
Surplus distribution payable		78,941	82,762
Zakat & income tax	17 b	15,025	14,025
Deferred tax liability		2,688	2,438
Accrued commission income payable to SAMA	19	28,451	28,158
TOTAL LIABILITIES		3,700,113	3,110,632
<u>EQUITY</u>			
Share capital	18	1,050,000	1,050,000
Share premium		70,000	70,000
Statutory reserve		26,135	26,135
Accumulated losses		(204,256)	(147,611)
Re-measurement of defined benefit liability – employees benefits		(9,557)	(9,557)
Fair values reserve on investments	12	23,995	25,682
TOTAL EQUITY		956,317	1,014,649
<u>TOTAL LIABILITIES AND EQUITY</u>		4,656,430	4,125,281
COMMITMENTS AND CONTINGENCIES	21		

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



Chairman of the
Board of Directors



Chief Executive Officer



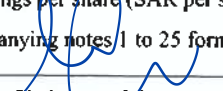
Chief Financial Officer

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

**INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

	Notes	SAR'000	
		For the three month period ended	
		March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)
REVENUES			
Gross premiums written			
-Direct		1,231,201	1,028,915
-Reinsurance		-	-
		1,231,201	1,028,915
Reinsurance premiums ceded			
-Local		(7,813)	(90,457)
-Abroad		(104,635)	(132,114)
		(112,448)	(222,571)
Excess of loss expenses – foreign		(4,691)	(15,260)
Net written premiums		1,114,062	791,084
Changes in unearned premiums, net		(645,677)	(333,310)
Net premiums earned		468,385	457,774
Re-insurance commissions		15,272	18,325
TOTAL REVENUES		483,657	476,099
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(562,008)	(440,286)
Expenses incurred related to claims		(5,330)	(4,787)
Hospital discount		29,776	25,190
Reinsurers' share of claims paid		164,768	143,267
Net claims and other benefits paid		(372,794)	(276,616)
Changes in outstanding claims, net		(54,988)	(81,427)
Changes in incurred but not reported claims, net		2,522	(22,706)
Net claims and other benefits incurred		(425,260)	(380,749)
Changes in premium deficiency reserve		(38,484)	(693)
Other technical reserves		1,657	(438)
Policy acquisition costs		(6,406)	(16,342)
TOTAL UNDERWRITING COSTS AND EXPENSES		(468,493)	(398,222)
NET UNDERWRITING INCOME		15,164	77,877
OTHER OPERATING (EXPENSES)/ INCOME			
Allowance for doubtful debts		(3,568)	(4,000)
General and administrative expenses		(92,276)	(70,905)
Special commission income		4,574	3,133
Realized gain on available for sale investment		16,277	1,158
Dividend income		3,363	1,849
Other income		1,071	408
TOTAL OTHER OPERATING EXPENSES		(70,559)	(68,357)
NET (LOSS)/ INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX		(55,395)	9,520
Net income attributed to insurance operation		-	(466)
NET (LOSS)/ INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX		(55,395)	9,054
Zakat and income tax			
Current zakat and income tax		(1,000)	(2,000)
Deferred tax		(250)	(249)
Net (loss)/ income for the period		(56,645)	6,805
(Loss)/Earnings per share			
(Loss)/Earnings per share (SAR per share)	18 b	(0.54)	0.06

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


Chairman of the
Board of Directors


Chief Executive Officer


Chief Financial Officer


**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

		SAR'000	
		For the three month period ended	
Notes	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	
	Net (loss)/ income for the period	(56,645)	6,805
	Other comprehensive (loss) /income		
	Item that will not be reclassified to statement of income in subsequent period		
	-Re-measurement of employees end of service	-	-
	Items that are or may be reclassified to statement of income in subsequent periods		
	<u>Available for sale investments</u>		
	- Net change in fair values, insurance operations 12	197	71
	- Net change in fair values, shareholders' operations 12	(1,884)	788
	<u>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</u>	(58,332)	7,664

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Chairman of the
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Chief Executive Officer



Chief Financial Officer

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

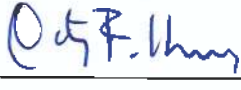
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(SAR in '000')**

Notes	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2022 (Audited)	1,050,000	70,000	26,135	(147,611)	25,682	(9,557)	1,014,649
Total comprehensive loss for the period							
Net loss for the period	-	-	-	(56,645)	-	-	(56,645)
-Change in fair values	12 a&b	-	-	-	(1,687)	-	(1,687)
Balance as at March 31, 2022 (Unaudited)	1,050,000	70,000	26,135	(204,256)	23,995	(9,557)	956,317

	Share capital	Share Premium	Statutory reserve	Accumulated losses	Fair values reserve on investments	Re-measurement of defined benefit liability – employees benefits	Total
Balance as at January 1, 2021 (Audited)	800,000	-	26,135	(99,569)	38,636	(5,505)	759,697
Total comprehensive income for the period							
Net income for the period end	-	-	-	6,805	-	-	6,805
-Change in fair values	12 a&b	-	-	-	859	-	859
Balance as at March 31, 2021 (Unaudited)	800,000	-	26,135	(92,764)	39,495	(5,505)	767,361

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


Chairman of the Board of Directors


Chief Executive Officer



Chief Financial Officer

**THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY
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**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

		SAR '000	
		For the three month period ended	
Notes	March 31, 2022	March 31, 2021	
	(Unaudited)	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net (loss)/ income for the period before zakat and income tax	(55,395)	9,520
Adjustments for non-cash items:			
	Depreciation and amortization	3,158	2,292
	Realized gain on investments	(16,277)	-
	Allowance for doubtful debts	3,568	4,000
	Provision for end of service indemnities	111	(1,315)
	(64,835)	14,497	
Changes in operating assets and liabilities:			
	Premiums and reinsurers' receivable	(475,528)	(238,212)
	Reinsurers' share of unearned premiums	13,511	(109,950)
	Reinsurers' share of outstanding claims	109,084	(55,423)
	Reinsurers' share of claims Incurred but not reported	47,870	56,125
	Deferred policy acquisition costs	(28,952)	(10,166)
	Prepayment and other assets	(22,890)	(157,736)
	Deposit against letter of guarantee	4,339	4,621
	Right of use assets	2,096	1,501
	Accounts and commission payable	(45,155)	(7,109)
	Accrued expenses and other liabilities	77,651	127,014
	Lease liability	(3,451)	(3,247)
	Reinsurers' balances payable	(3,232)	121,473
	Gross unearned premiums	632,165	443,260
	Unearned reinsurance commission	8,506	12,745
	Gross outstanding claims	(54,096)	136,851
	Claims incurred but not reported	(50,392)	(33,420)
	Premium deficiency reserve	38,484	(694)
	Other technical reserves	(1,657)	1,825
	Due from related party	-	-
	Due to related party	(1,261)	(308)
	182,257	303,647	
	Payment of employees end of service indemnities	(568)	(2,084)
	Surplus paid to policyholders	(3,821)	(4,380)
	Zakat and income tax paid	-	-
	Net cash from operating activities	177,868	297,183
CASH FLOWS FROM INVESTING ACTIVITIES			
	Additions in available for sale investments, net	(116,776)	(132,029)
	Placements in short term deposits	-	(150,000)
	Additions in property, equipment and intangible	(14,598)	(2,208)
	Net cash used in investing activities	(131,374)	(284,237)
	Net change in cash and cash equivalents	46,494	12,946
	Cash and cash equivalents, beginning of the period	477,003	338,666
	Cash and cash equivalents, end of the period	523,497	351,612
NON-CASH INFORMATION			
	Change in fair value of available for sale investments	(1,687)	859

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



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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

Basis of presentation

The interim condensed financial information has been prepared on a historical cost basis except for the measurement at fair value of available for sale investments and investment in associates which is accounted for under equity method.

Statement of compliance

The interim condensed financial information of the Company has been prepared in accordance with ‘International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and the Regulations for Companies in the Kingdom of Saudi Arabia.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders’ Operations and presents the interim condensed financial statements accordingly (refer note 23). The physical custody of all assets related to the Insurance Operations and Shareholders’ Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is as determined by the management and Board of Directors.

Functional and presentation currency

The functional and presentational currency of the Company is Saudi Arabian Riyals. The interim condensed financial information is presented in Saudi Riyal rounded to nearest thousand (SAR’000) unless otherwise stated.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

2 BASIS OF PREPARATION (Continued)

The interim condensed statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders' operations which are presented in note 23 of the interim condensed financial information have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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

Going concern

The Company is unable to meet its solvency margin requirement.

The Board resolved at 18 December 2019 to reduce statutory reserve amounting to SAR 120 million against the accumulated losses which had been approved in Annual General Assembly meeting held on 3 June 2020 and adjusted accordingly. The Board of directors in their meeting held on 5 October 2020, recommended to reduce share capital by SAR 100 million , the capital reduction was approved by extraordinary general assembly dated 22 April 2021. Further Board resolved to increase capital through right issue with total proceeds of SAR 420 million, the Company obtained SAMA approval dated 06 June 2021, Capital Market Authority (CMA) approval dated 30 September 2021 and approved by the general assembly of the Company on 03 Nov 2021.

Management has performed an assessment of its going concern assumption under different scenarios. Based on the underlying cash flow projections under such scenarios, management believes that the Company will be able to continue the business and meet its obligations as and when they fall due over the next 12 months. As a result, the financial statements have been prepared on a going concern basis. Management's assessment is based on number of estimates and assumptions including significant recoveries from major policyholders, reinsurers and related parties and other cost saving measures.

3 SURPLUS DISTRIBUTION

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Central Bank ("SAMA"). In case of losses, losses are absorbed by shareholders.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

4 STANDARDS AND AMENDMENTS ISSUED

Standards issued but not yet effective

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

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

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

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

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

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

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate and involves a significant degree of judgment. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Following are the critical areas of estimation and judgments for medical and motor business for which the Company acquires services of independent actuary to determine such reserves.

As a first step towards setting appropriate IBNR reserves for the medical and motor line of businesses, a runoff analysis is prepared to assess how the claims reserves determined at the previous valuation dates compare with actual developments. Results from runoff analysis are taken into consideration while setting reserves for IBNR claims. An analysis is carried out by using the following methods:

- Chain Ladder method - this builds up, using historical claims payment patterns, ratios of eventual cumulative claims which have been incurred in a particular year to those which have been paid as at the end of a reporting year.
- Bornhuetter Ferguson method – this is a technique that combines actual past claims experience and any prior information or expectations that might be available concerning claims, for example expected ultimate loss ratios.
- Expected Loss Ratio method – this technique determines the projected amount of claims relative to earned premiums. The method is used where the insurer lacks the appropriate past claim occurrence data because of changes in product offerings, change in claims settlement processes, etc.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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

ii) Premium deficiency reserve

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

iii) Impairment of receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms. During 2017, the Company has revisited its provisioning approach and significantly increased the level of provisioning in respect of insurance and reinsurance receivables due to increase in credit risk associated with the receivables.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv) Goodwill impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Management believes that fair value less cost to sell analysis provides a higher value compared to value in use, and therefore, fair value less cost to sell analyses are used for impairment assessments. Management used a valuation expert to perform fair value less cost to sell analysis through a market based approach to test impairment. The fair value less cost to sell calculation is based on the quoted share price of the Company as of period close and subsequent events that occurred till measurement date. In arriving at the valuation under market approach, the expert also applied certain judgments and factors including analysis of price book value multiples of the comparable companies and comparable transactions.

v) Reinsurance

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

6 CASH AND CASH EQUIVALENTS

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

	SAR'000	
	Insurance operations	
	March 31, 2022	December 31, 2021
Cash and bank balances	80,249	87,035
Deposits maturing within 3 months from the acquisition date	110,000	-
Cash and cash equivalent in the statement of cash flows	190,249	87,035
Deposit against letter of guarantee	116,341	120,679
	306,590	207,714
	SAR'000	
	Shareholders' operations	
	March 31, 2022	December 31, 2021
Cash and bank balances	58,176	54,968
Deposits maturing within 3 months from the acquisition date	275,072	335,000
	333,248	389,968
Cash and bank balances	639,838	597,682
Cash and cash equivalents in the statement of cash flow	523,497	477,003

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

Deposits maturing within 3 months from the acquisition date are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia and earned special commission income at an average rate of 1.75% per annum (2021: 0.08% per annum).

The carrying amounts disclosed above reasonably approximate the fair value at the statement of financial position date.

Deposits against letters of guarantee comprise amounts placed with a local bank against issuance of payment guarantees in favor of the Company's customers and service providers (also see note 21). Such deposits against letters of guarantee cannot be withdrawn before the expiration of guarantee (are restricted in nature).

7 SHORT TERM DEPOSITS

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

Short term deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1% per annum (2021: 1% per annum).

For the period ended 31 March 2022 the carrying amounts of the short term deposits reasonably approximate the fair value at the statement of financial position date.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

8 PREMIUMS AND REINSURERS' RECEIVABLE, NET

Receivables comprise amounts due from the following:

	SAR'000	
	March 31, 2022	December 31, 2021
Policyholders	903,763	279,061
Brokers and agents	336,812	495,831
Premiums receivables	1,240,575	774,892
Less: Allowance for doubtful debts	(86,108)	(82,540)
	1,154,467	692,352
Reinsurers' receivable	312,375	302,531
Less: Allowance for doubtful debts	(156,306)	(156,306)
	156,069	146,225
Premiums and reinsurers' receivable – net	1,310,536	838,577

As disclosed in note 9.c, the Company, together with CRC carried out an exercise to separate the Company's transactions and balances with the respective reinsurers and brokers from those of other related parties. This exercise is completed and Saudi Riyals 59.4 million have been identified as receivable from related party. However, the Company has booked full provision for this balance and disclosed under due from other related parties in note 9.

As at March 31, 2022, the movement in the Allowance for doubtful debts of premiums and reinsurers' receivables was as follows:

Movement in allowance for doubtful debts:

	SAR'000	
	March 31, 2022	December 31, 2021
Balance at the beginning of the period / year	238,846	263,360
Write off during the period / year	-	-
Provision for the period / year	3,568	(24,514)
Balance at the end of the period / year	242,414	238,846

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

9.a The following are the details of major related party transactions during the period and their balances at the end of the period:

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021
SAR'000					
<u>Due from / to related parties</u>					
Medgulf BSC - Head office account (major shareholder)	-Balance due from at Year end -Allowance for doubtful debts -Net Balance due from at year end	- - -	- - -	2,453 (2,390) 63	2,453 (2,390) 63
Medivisa KSA (affiliate)	-Insurance premium for employees of fellow subsidiary -Third party administration fees -Claim incurred -Payment received -premium refundable -Payment on third party administration fees -Balance due from / (due to) at year end	- - - - - - -	- - - - - - -	- - - - - - 1,931	- - - - - - 1,931
Al-Waseel for Electronic Transportation (Associate)	-Claims management fee -Balance due from / (due to) at year end	2,014 -	385 -	(787)	(2,048)
Total due from related parties				1,994	1,994
Total due to related parties				(787)	(2,048)
Other related parties transactions and balances – due from / (due to)					
The Saudi Investment Bank, (Founding shareholder)	-Current account and time deposits -Statutory deposit (refer note 10.a (i)) -Gross written premiums -Premiums (refundable) -Claims incurred Outstanding claims -Balance due from / (due to) at year end -Claims incurred / adjustment	(2,000) 436 - - - 967 - -	(173) 931 - - (9) - - -	61 148,266 - - - - - -	2,061 147,830 - - - - - -
Medivisa KSA (affiliate)	-Medical Claim Jordan / Balance -Medical claim Lebanon / balance -Medical claim Egypt / balance	- - -	- - -	- (654) (81)	- (654) (81)

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Al Istithmar Capital (subsidiary of SIB- founding shareholder)	-Discretionary portfolio arrangement (refer 10.a (ii))	-	-	-	-
	-Current account	386	2,832	2,928	2,542
	-Premiums refundable	-	-	-	-
Abunayyan Trading Co (Under common directorship)	-Gross written premiums	-	(185)	-	-
	-Premiums receivable-net	-	-	-	(111)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(111)
	-Claims incurred	235	1,225	-	-
KSB Pumps Arabia (Under common directorship)	-Gross written premiums	(1)	-	-	-
	-Premiums receivable-net	-	-	(9)	(9)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	(9)	(9)
	-Claims incurred	61	-	-	-
Toray Membrane Middle East (Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	29	-	-	-
Medgulf BSC (major shareholder)	-Claim recoveries	-	-	-	-
	-Reinsurance recovery (refer 10.a(iii))	-	-	5,203	5,203
	-Allowance for doubtful debts	-	-	(3,902)	(3,902)
	-Net balance due from at year end	-	-	1,301	1,301
Industrial Instrumentation and Control System(Under common directorship)	-Gross written premiums	-	-	-	-
	-Premiums receivable-net	-	-	-	(11)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(11)
	-Claims incurred	20	106	-	-

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Overseas / Addison Bradley & Co. (affiliate)	-Balance receivable at year end -Allowance for doubtful debts -Net balance due from at year end	- - -	- - -	3,856 (3,856) -	3,856 (3,856) -
Citiscap (Under common directorship)	-Gross written premiums -Premiums receivable-net -Allowance for doubtful debts -Net balance (due to) / due from at year end -Claims incurred	- - - - 33	(78) - - - 238	- - - - -	- (95) - (95) -
Middle East Agriculture (Under common directorship)	-Gross written premiums -Premiums receivable-net -Allowance for doubtful debts -Net balance (due to) / due from at year end -Claims incurred	- - - - 20	(11) - - - 119	- - - - -	- (7) - (7) -
Electronic and Electric Industry (Under common directorship)	-Gross written premiums -Premiums receivable -Allowance for doubtful debts -Net balance due from at year end -Claims incurred	- - - - 9	16 - - - 92	- - - - -	- 5 (1) 4 -
Addison Bradley International / Medgulf Lebanon (affiliate)	-Reinsurance recovery -Balance receivable at year end (Refer 10.c) -Allowance for doubtful debts -Net balance due from at year end	- - - -	- - - -	- 59,498 (59,498) -	- 59,498 (59,498) -
Arabian Qudra (Under common directorship)	-Gross written premiums -Premiums receivable-net -Allowance for doubtful debts -Net balance (due to) / due from at year end -Claims incurred	- - - - -	(54) - - - 96	- - - - -	- (8) - (8) -
Saudi Fransi Capital (Under common directorship)	-Investment portfolio	-	10,998	-	-

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Tumpane Jubar (Under common directorship)	-Gross written premiums	-	(13)	-	-
	-Premiums receivable-net	-	-	-	(54)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance (due to) / due from at year end	-	-	-	(54)
	-Claims incurred	14	135	-	-
Addison Bradley Arabia-KSA (affiliate)	-Payment received during the period	-	-	-	-
	-Reinsurance recoveries (Refer 10.a (iv))	-	-	-	-
	-Balance due from at year end	-	-	15,623	15,623
	-Allowance for doubtful debts	-	-	(11,718)	(11,718)
	-Net balance due from at year end	-	-	3,905	3,905
Alakaria (Under common directorship)	-Gross written premiums	27	-	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	(4)	-	-	-
Al Issa Group (Under common directorship)	-Gross written premiums	(189)	83,730	-	-
	-Premiums receivable	-	-	14,820	29,290
	-Allowance for doubtful debts	-	-	(2,148)	(1,168)
	-Net balance due from at year end	-	-	12,672	28,122
	-Claims incurred	(13,167)	22,067	-	-
Vision International Investment Company (Under common directorship)	-Gross written premiums	-	10	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	52	161	-	-
Aloyaidi Certified Public Accountants (Under common directorship)	-Gross written premiums	-	82	-	-
	-Premiums receivable	-	-	-	-
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	-
	-Claims incurred	3	-	-	-

THE MEDITERRANEAN & GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Transactions for the three month period ended		Balance receivable / (payable) as at	
		March 31, 2022	March 31, 2021	March 31, 2022	December 31, 2021
SAR'000					
Other related parties transactions and balances – due from / (due to)					
Addison Bradley Arabia Holding LLC (UAE) (affiliate)	-Balance due from at year end	-	-	1,472	1,472
	-Allowance for doubtful debts	-	-	(1,472)	(1,472)
	-Net balance due from at year end (Refer 10.a (v))	-	-	-	-
Saudi Meter Company (Under common directorship)	-Gross written premiums	-	(10)	-	-
	-Premiums receivable	-	-	-	3
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	-	3
	-Claims incurred	3	71	-	-
Saudi Tumpane Co.(Under common directorship)	-Gross written premiums	52	(199)	-	-
	-Premiums receivable	-	-	60	(116)
	-Allowance for doubtful debts	-	-	-	-
	-Net balance due from at year end	-	-	60	(116)
	-Claims incurred	33	528	-	-

9.a(i) Statutory deposit is placed with the Saudi Investment Bank, at the commission rate of 0.5% per annum.

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

9.b Compensation of key management personnel

The following table shows the annual salaries, remuneration and allowances pertaining to the Board members and top executives for the three month period ended March 31, 2022 and 2021:

Three month period ended March 31, 2022

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	2,368
Allowances	-	-
Annual remuneration	817	-
End of service indemnities	-	143
	817	2,511

Three month period ended March 31, 2021

	BOD members (Non-Executive)	Top Executives including the CEO and CFO
	SAR 000'	
Salaries and compensation	-	1,360
Allowances	79	-
Annual remuneration	753	-
End of service indemnities	-	83
	832	1,443

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

10 TECHNICAL RESERVES

a) Outstanding Claims and IBNR

	March 31, 2022			December 31, 2021		
	Gross	Re-insurance share	Net	Gross	Re-insurance share	Net
	SAR'000			SAR'000		
Outstanding claims	689,710	(437,455)	252,255	743,807	(546,540)	197,267
Claims incurred but not reported	412,972	(131,158)	281,814	463,364	(179,028)	284,336
	1,102,682	(568,613)	534,069	1,207,171	(725,568)	481,603

b) Other Technical Reserves

	March 31, 2022	December 31, 2021
	SAR'000	
Premium deficiency reserve	116,294	77,810
Others	64,285	65,942
Other reserves at end of the period / year	180,579	143,752

c) Unearned Premiums

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

SAR'000	For the period ended March 31, 2022		
	Gross	Re-insurance	Net
Balance at the beginning of the period	897,653	260,855	1,158,508
Premium written during the period	1,231,201	(112,448)	1,118,753
Premium earned during the period	(599,036)	98,936	(500,100)
Balance at the end of the period	1,529,818	247,343	1,777,161
SAR'000	For the year ended December 31, 2021		
	Gross	Re-insurance	Net
Balance at the beginning of the year	1,023,041	(220,301)	802,740
Premium written during the year	2,236,222	(773,478)	1,462,744
Premium earned during the year	(2,361,610)	732,924	(1,628,686)
Balance at the end of the year	897,653	260,855	636,798

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

11 INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SAR 11,799 thousand (a 25% equity interest) (2021: SAR 11,799 thousand), in an unquoted company (the “associate”), registered in the Kingdom of Saudi Arabia.

	SAR'000	
	March 31, 2022	December 31, 2021
At the beginning of the period / year	11,799	9,734
Dividend received from investment in an associate	-	(1,706)
Income from investment in an associate	-	3,771
At the end of period / year	<u>11,799</u>	<u>11,799</u>

12 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as set out below:

a) Insurance Operations - Available for sale investments

SAR'000	SAR'000	
	March 31, 2022	December 31, 2021
Type of Investments		
-Mutual Fund	10,986	10,789
-Sukuk	20,000	20,000
	<u>30,986</u>	<u>30,789</u>

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

The cumulative change in fair values of available for sale investments for insurance' operations amounting to SAR 197 thousand (31 December 2021: SAR 287) is presented within shareholders' equity in the statement of financial position.

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

	March 31, 2022	December 31, 2021
At the beginning of the period / year	30,789	10,502
Purchase during the period / year	-	77,500
Sold during the period / year	-	(57,500)
Net change in fair values	197	287
At the end of the period / year	<u>30,986</u>	<u>30,789</u>

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

12 AVAILABLE FOR SALE INVESTMENTS (Continued)

b) Shareholders' Operations - Available for sale investments

	SAR'000	
	March 31, 2022	December 31, 2021
Type of Investments		
-Equity unquoted- domestic	2,860	2,860
-Equity quoted- domestic	152,560	176,522
-Mutual Fund	108,351	132,250
-Sukuk	499,049	320,018
	<u>762,820</u>	<u>631,650</u>

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

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SAR (1,884) thousand (31 December 2021: SAR (13,241) thousand) is presented within shareholders' equity in the interim condensed statement of financial position.

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

	SAR'000	
	March 31, 2022	December 31, 2021
At the beginning of the period / year	631,650	580,414
Purchase during the period / year	185,078	242,576
Sold during the period / year	(52,024)	(178,099)
Net change in fair values / year	(1,884)	(13,241)
At the end of the period / year	<u>762,820</u>	<u>631,650</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

12 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value

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

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

The unlisted security of SAR 2.86 million (31 December 2021: SAR 2.86 million) held as part of Company's shareholder operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

During the period ended 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

Determination of fair value and fair value hierarchy

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

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

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

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

1. Insurance operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
March 31, 2022				
Available for sale investments				
- Mutual Fund	10,986	-	-	10,986
- Sukuk	-	20,000	-	20,000
Total available for sale investments	10,986	20,000	-	30,986

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

12 AVAILABLE FOR SALE INVESTMENTS (Continued)

iii. Fair value (Continued)

1. Insurance operations – Fair Value (Continued)

SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2021				
Available for sale investments				
- Mutual Fund	10,789	-	-	10,789
- Sukuk	-	20,000	-	20,000
Total available for sale investments	10,789	20,000	-	30,789
SAR'000s	Level 1	Level 2	Level 3	Total

2. Shareholders' operations – Fair Value

SAR'000s	Level 1	Level 2	Level 3	Total
March 31, 2022				
Available for sale investments				
- Mutual Fund	108,351	-	-	108,351
- Sukuk	-	499,049	-	499,049
- Equities	152,560	-	-	152,560
Total available for sale investments	260,911	499,049	-	759,960
SAR'000s	Level 1	Level 2	Level 3	Total
December 31, 2021				
Available for sale investments				
- Mutual Fund	132,250	-	-	132,250
- Sukuk	-	320,018	-	320,018
- Equities	176,522	-	-	176,522
Total available for sale investments	308,772	320,018	-	628,790

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

13 STATUTORY DEPOSIT

In accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. The Company is required to maintain a statutory deposit at 10%. Further, SAMA has increased the statutory deposit by 5% . This statutory deposit cannot be withdrawn without the consent of SAMA. During the year ended 2021, the company increased its paid capital to SR 1,050 million by right issue shares. After the aforementioned amendments to the capital, the statutory deposit is currently maintained at 11.4% of the new paid up capital, SR 1,050 million, amounting to SR 120 million. The Statutory deposit is placed at the commission rate of 0.5% per anum (2021 : 0.5%).

14 GOOD WILL

The Company held an ordinary general assembly meeting on 22 December 2008 and approved the purchase of the insurance portfolio and the related net assets and liabilities of the Saudi Arabian Operations of the Mediterranean and Gulf Insurance and Reinsurance Company (MEDGULF) B.S.C (closed) (“Portfolio”) effective 1 January 2009. The acquisition resulted in goodwill of SR 480 million.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units (“CGU”) to which goodwill has been allocated. To assess the Goodwill impairment impact as of 31 December 2021, the Company appointed a consultant and a report dated 28 February 2022 was issued. Considering the Company as a single CGU, the consultant applied ‘Value-In-Use (VIU)’, ‘Share Price’, ‘Market’ approach on the trading activity of the Company’s stock and the capitalization of the earnings using value metrics of broadly comparable listed companies and Mergers and Acquisitions transaction multiples. Accordingly, as of the date of the approval of the financial statements for the year ended 31 December 2021 based on the aforementioned approach, the valuation result concluded the recoverable amount of goodwill to be higher than the carrying value.

15 CAPITAL MANAGEMENT

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company’s activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares. The Board of directors in their meeting held on 6 October 2020, recommended to reduce share capital by SAR 100 million , the capital reduction was approved by extraordinary general assembly dated 22 April 2021. Further Board resolved to increase capital by SAR 420 million through right issue, the Company obtained SAMA approval dated 06 June 2021, Capital Market Authority (CMA) approval dated 30 September 2021 and approved by the general assembly of the Company on 03 Nov 2021.

The Company is not in compliance with the solvency margin required by SAMA (refer note 2 - going concern).

16 STATUTORY RESERVE

In accordance with its By-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution. Since there was accumulated deficit for the period ended 31 December 2021, no transfer was made to statutory reserve.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

17 ZAKAT AND INCOME TAX

a) Income tax charge for the period / year

There was no income tax in the period ended March 31, 2022 and year ended December 31, 2021 due to net adjusted losses incurred.

b) Movement in the provision for zakat and income tax during the period / year

The movement in the provision for zakat and income tax for the period / year was as follows:

	SAR '000	
	31 March	31 December
	2022	2021
At the beginning of the period	14,025	12,767
Charge - current period / year	1,000	4,000
Charge - prior period / year	-	-
Payments during the period / year	-	(2,742)
At the end of the period / year	15,025	14,025

The provision for zakat and income tax for the period is 1,000 thousand (31 March 2021: SR 2,000 thousand).

c) Status of zakat and tax assessments

The Company has filed its zakat and income tax declarations for the year up to 31 December 2021 with the General Authority of Zakat and Income Tax (ZATCA). The Company has received final clearance certificate till 2016 and final assessments from the year 2017 and onwards are awaited from the ZATCA

During the year 2020, Company received VAT assessment from ZATCA amounting to SAR 23.2 million. the Company paid the amount in full and filed an appeal to ZATCA for the recovery of the same. Subsequently, ZATCA approved an input adjustment amounting to SAR 10.6 million and the company filed an appeal to GSTC to recover the remaining amount of SAR 12.6 million against which a provision of SAR 10 million has been recorded.

d) Deferred tax liability

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

	SAR '000	
	31 March	31 December
	2022	2021
Opening deferred tax liability	(2,438)	(1,438)
Origination or reversal of temporary differences	(250)	(1,000)
Closing deferred tax liability	(2,688)	(2,438)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

18 SHARE CAPITAL AND EARNINGS PER SHARE

a) Share capital

The authorized and paid up share capital of the Company is SAR 1,050 million divided into 105 million shares of SAR 10 each.

b) (Loss)/Earnings per share

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

	SAR '000	
	31 March 2022	31 March 2021
	(Unaudited)	(Unaudited)
		Restated
Net (loss)/income for the period	(56,645)	6,805
Weighted average number of ordinary shares	105,000	105,000
(Loss)/Earnings per share	(0.54)	0.06

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

19 ACCRUED COMMISSION ON STATUTORY DEPOSIT

The interest on statutory deposit which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia amounts to SAR 28,451 thousand (31 December 2021: SAR 28,158 thousand). This commission cannot be withdrawn without the consent of Saudi Central Bank (“SAMA”).

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of unquoted financial instruments which are carried at cost.

21 COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) Contingencies and capital commitments

As at 31 March 2022, the Company’s banker has issued letters of guarantee of SR 116,341 thousand (31 December 2021: SR 120,679 thousand) to various customers, motor agencies and workshops as per the terms of the agreements with them (also see note 6). The Company had no capital commitments in 2022 (31 December 2021: nil).

c) Contingent liability

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

22 SEGMENTAL INFORMATION

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

As at March 31, 2022

22 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	30,615	67,606	149,122	247,343	-	247,343
Reinsurers' share of outstanding claims	13,789	18,261	405,405	437,455	-	437,455
Reinsurers' share of claims Incurred but not reported	29,403	12,635	89,120	131,158	-	131,158
Deferred policy acquisition costs	44,429	15,998	18,421	78,848	-	78,848
Unallocated assets				1,937,692	1,823,934	3,761,626
Total assets	118,236	114,500	662,068	2,832,496	1,823,934	4,656,430
Liabilities						
Gross unearned premiums	1,083,784	266,337	179,697	1,529,818	-	1,529,818
Unearned reinsurance commission	-	7,361	19,179	26,540	-	26,540
Gross outstanding claims	188,785	56,219	444,706	689,710	-	689,710
Claims incurred but not reported	280,055	24,565	108,352	412,972	-	412,972
Premium deficiency reserves	55,814	59,370	1,110	116,294	-	116,294
Other technical reserves	21,824	33,774	8,687	64,285	-	64,285
Unallocated liabilities and insurance operations' surplus				813,474	47,020	860,494
Total liabilities and insurance operations' surplus	1,630,262	447,626	761,731	3,653,093	47,020	3,700,113

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

As at December 31, 2021

22 Operating segments

	Medical	Motor	Property & casualty	Total - Insurance Operations	Shareholders' Operations	Total
	SAR'000					
Assets						
Reinsurers' share of unearned premiums	46,174	80,809	133,872	260,855	-	260,855
Reinsurers' share of outstanding claims	39,569	4,856	502,115	546,540	-	546,540
Reinsurers' share of claims Incurred but not reported	50,221	36,779	92,028	179,028	-	179,028
Deferred policy acquisition costs	29,035	12,079	8,783	49,897	-	49,897
Unallocated assets				1,341,457	1,747,504	3,088,961
Total assets	164,999	134,523	736,798	2,377,777	1,747,504	4,125,281
Liabilities						
Gross unearned premiums	536,670	203,270	157,713	897,653	-	897,653
Unearned reinsurance commission	-	6,263	11,771	18,034	-	18,034
Gross outstanding claims	181,704	16,653	545,450	743,807	-	743,807
Claims incurred but not reported	269,706	85,043	108,615	463,364	-	463,364
Premium deficiency reserves	26,872	46,675	4,263	77,810	-	77,810
Other technical reserves	21,536	35,422	8,984	65,942	-	65,942
Unallocated liabilities and insurance operations' surplus				798,529	45,493	844,022
Total liabilities and insurance operations' surplus	1,036,488	393,326	836,796	3,065,139	45,493	3,110,632

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

For the period ended March 31, 2022

22 Operating segments

	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
SAR'000						
<u>REVENUES</u>						
Gross premiums written						
-Direct	954,296	175,416	101,489	1,231,201	-	1,231,201
-Reinsurance	-	-	-	-	-	-
	954,296	175,416	101,489	1,231,201	-	1,231,201
Re-insurance premiums ceded						
-Local	(1,251)	(3,472)	(3,090)	(7,813)	-	(7,813)
-Abroad	-	(22,849)	(81,786)	(104,635)	-	(104,635)
	(1,251)	(26,321)	(84,876)	(112,448)	-	(112,448)
Excess of loss premiums	-	-	(4,691)	(4,691)		(4,691)
Net premiums written	953,045	149,095	11,922	1,114,062	-	1,114,062
Changes in unearned premiums, net	(562,674)	(76,270)	(6,733)	(645,677)	-	(645,677)
Net premiums earned	390,371	72,825	5,189	468,385	-	468,385
Re-insurance commission income	-	6,770	8,502	15,272	-	15,272
<u>TOTAL REVENUES</u>	390,371	79,595	13,691	483,657	-	483,657
<u>UNDERWRITING COSTS AND</u>						
Gross claims paid	(396,172)	(121,549)	(44,287)	(562,008)	-	(562,008)
Expenses incurred related to claims	(1,871)	(1,991)	(1,468)	(5,330)	-	(5,330)
Hospital discount	29,776	-	-	29,776		29,776
Reinsurers' share of claims paid	78,411	45,641	40,716	164,768	-	164,768
Net claims and other benefits paid	(289,856)	(77,899)	(5,039)	(372,794)	-	(372,794)
Changes in outstanding claims, net	(32,861)	(26,160)	4,033	(54,988)	-	(54,988)
Changes in incurred but not reported claims, net	(31,168)	36,334	(2,644)	2,522	-	2,522
Net claims and other benefits incurred	(353,885)	(67,725)	(3,650)	(425,260)	-	(425,260)
Changes in premium deficiency reserve	(28,942)	(12,695)	3,153	(38,484)	-	(38,484)
Other technical reserves	(288)	1,648	297	1,657	-	1,657
Policy acquisition costs	702	(1,611)	(5,497)	(6,406)	-	(6,406)
<u>TOTAL UNDERWRITING COSTS AND</u>	(382,413)	(80,383)	(5,697)	(468,493)	-	(468,493)
<u>EXPENSES</u>						
NET UNDERWRITING (loss)/INCOME	7,958	(788)	7,994	15,164	-	15,164
<u>OTHER OPERATING (EXPENSES)/</u>						
<u>INCOME</u>						
Provision for doubtful debts				(3,568)	-	(3,568)
General and administrative expenses				(91,307)	(969)	(92,276)
Special commission income				113	4,461	4,574
Realized gain on available for sale investment				-	16,277	16,277
Dividend income				-	3,363	3,363
Other income				1,071	-	1,071
Total Other Operating Expenses, net				(93,691)	23,132	(70,559)
<u>Net (loss)/income for the period before</u>						
<u>appropriation and before zakat and income</u>						
<u>tax</u>				(78,527)	23,132	(55,395)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

For the period ended March 31, 2021

22 Operating segments

	Medical	Motor	Property & casualty	Total Insurance Operations	Shareholders' Operations	Total
SAR'000						
<u>REVENUES</u>						
Gross premiums written						
-Direct	748,924	173,212	106,779	1,028,915	-	1,028,915
-Reinsurance	-	-	-	-	-	-
	748,924	173,212	106,779	1,028,915	-	1,028,915
Re-insurance premiums ceded						
-Local	(64,515)	(19,109)	(6,833)	(90,457)	-	(90,457)
-Abroad	-	(49,716)	(82,398)	(132,114)	-	(132,114)
	(64,515)	(68,825)	(89,231)	(222,571)	-	(222,571)
Excess of loss premiums	(9,875)	(1,625)	(3,760)	(15,260)		(15,260)
Net premiums written	674,534	102,762	13,788	791,084	-	791,084
Changes in unearned premiums, net	(275,389)	(53,149)	(4,772)	(333,310)	-	(333,310)
Net premiums earned	399,145	49,613	9,016	457,774	-	457,774
Re-insurance commission income	-	11,022	7,303	18,325	-	18,325
<u>TOTAL REVENUES</u>	399,145	60,635	16,319	476,099	-	476,099
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	(331,571)	(87,450)	(21,265)	(440,286)	-	(440,286)
Expenses incurred related to claims	(2,106)	(2,006)	(675)	(4,787)	-	(4,787)
Hospital discount	25,190	-	-	25,190		25,190
Re-insurers' share of claims paid	81,915	40,730	20,622	143,267	-	143,267
Net claims and other benefits paid	(226,572)	(48,726)	(1,318)	(276,616)	-	(276,616)
Changes in outstanding claims, net	(70,008)	(3,020)	(8,399)	(81,427)	-	(81,427)
Changes in incurred but not reported claims, net	(28,191)	6,480	(995)	(22,706)	-	(22,706)
Net claims and other benefits incurred	(324,771)	(45,266)	(10,712)	(380,749)	-	(380,749)
Changes in premium deficiency reserve	1,157	(676)	(1,174)	(693)	-	(693)
Other technical reserves	(291)	292	(439)	(438)	-	(438)
Policy acquisition costs	(6,192)	(5,965)	(4,185)	(16,342)	-	(16,342)
<u>TOTAL UNDERWRITING COSTS AND EXPENSES</u>	(330,097)	(51,615)	(16,510)	(398,222)	-	(398,222)
NET UNDERWRITING INCOME	69,048	9,020	(191)	77,877	-	77,877
<u>OTHER OPERATING (EXPENSES)/ INCOME</u>						
Reversal of doubtful debts				(4,000)	-	(4,000)
General and administrative expenses				(69,812)	(1,093)	(70,905)
Special commission income				192	2,941	3,133
Realized gain on available for sale investment				-	1,158	1,158
Dividend income				-	1,849	1,849
Other income				408	-	408
<u>Total Other Operating Expenses, net</u>				(73,212)	4,855	(68,357)
<u>Net income for the period before appropriation and before zakat and income tax</u>				4,665	4,855	9,520

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

For the period ended March 31, 2022

22 Operating segments

	Medical	Motor	Property & casualty	Total
	SAR'000			
<u>Gross premiums written</u>				
Large enterprise	492,157	27,508	73,454	593,119
Medium enterprise	391,236	7,346	18,810	417,392
Small enterprise	32,710	5,638	6,273	44,621
Micro enterprise	35,668	2,352	1,787	39,807
Individual	2,525	132,572	1,165	136,262
TOTAL GROSS PREMIUMS WRITTEN	954,296	175,416	101,489	1,231,201

For the period ended March 31, 2021

Operating segments

	Medical	Motor	Property & casualty	Total
	SAR'000			
<u>Gross premiums written</u>				
Large enterprise	670,670	66,511	80,334	817,515
Medium enterprise	22,087	8,039	18,253	48,379
Small enterprise	34,157	35,866	4,452	74,475
Micro enterprise	21,985	1,285	2,656	25,926
Individual	25	61,511	1,084	62,620
TOTAL GROSS PREMIUMS WRITTEN	748,924	173,212	106,779	1,028,915

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

23 SUPPLEMENTARY INFORMATION

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	SAR '000					
	March 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents`	306,590	333,248	639,838	207,714	389,968	597,682
Short term deposits	-	50,000	50,000	-	50,000	50,000
Premium and reinsurers' receivable, net	1,310,536	-	1,310,536	838,577	-	838,577
Reinsurers' share of unearned premiums	247,343	-	247,343	260,855	-	260,855
Reinsurers' share of outstanding claims	437,455	-	437,455	546,540	-	546,540
Reinsurers' share of claims incurred but not reported	131,158	-	131,158	179,028	-	179,028
Deferred policy acquisition costs	78,848	-	78,848	49,897	-	49,897
Due from related parties, net	1,994	-	1,994	1,994	-	1,994
Due from / to shareholders` / insurance operation	812,026	(812,026)	-	678,594	(678,594)	-
Prepayment and other assets, net	241,542	7,616	249,158	225,682	5,929	231,611
Available for sale investments	30,986	762,820	793,806	30,789	631,650	662,439
Right of use assets, net	6,033	-	6,033	8,129	-	8,129
Property and equipment, net	18,947	30,000	48,947	16,464	30,000	46,464
Intangible assets, net	21,064	-	21,064	12,108	-	12,108
Deferred tax asset	-	-	-	-	-	-
Statutory deposit	-	120,000	120,000	-	120,000	120,000
Investment in an associate	-	11,799	11,799	-	11,799	11,799
Accrued commission on statutory deposit	-	28,451	28,451	-	28,158	28,158
Goodwill	-	480,000	480,000	-	480,000	480,000
TOTAL ASSETS	3,644,522	1,011,908	4,656,430	3,056,371	1,068,910	4,125,281

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Continued)

SAR '000

	March 31, 2022			December 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
LIABILITIES						
Accrued expenses and other liabilities	336,615	856	337,471	264,295	872	265,167
Accounts and commission payable	211,707	-	211,707	256,861	-	256,861
Lease liability	5,083	-	5,083	8,534	-	8,534
Reinsurers' balances payable	152,027	-	152,027	155,259	-	155,259
Gross unearned premiums	1,529,818	-	1,529,818	897,653	-	897,653
Unearned reinsurance commission	26,540	-	26,540	18,034	-	18,034
Gross outstanding claims	689,710	-	689,710	743,807	-	743,807
Claims incurred but not reported	412,972	-	412,972	463,364	-	463,364
Premium deficiency reserve	116,294	-	116,294	77,810	-	77,810
Other technical reserves	64,285	-	64,285	65,942	-	65,942
Due to a related party	787	-	787	2,048	-	2,048
End of service indemnities	28,314	-	28,314	28,770	-	28,770
Surplus distribution payable	78,941	-	78,941	82,762	-	82,762
Zakat & income tax	-	15,025	15,025	-	14,025	14,025
Deferred tax liability	-	2,688	2,688	-	2,438	2,438
Accrued commission income payable to SAMA	-	28,451	28,451	-	28,158	28,158
TOTAL LIABILITIES	3,653,093	47,020	3,700,113	3,065,139	45,493	3,110,632
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS						
Fair values reserve gain on investments	986	-	986	789	-	789
Re-measurement of defined benefit liability – employees benefits	(9,557)	-	(9,557)	(9,557)	-	(9,557)
TOTAL INSURANCE OPERATIONS' (DEFICIT) / SURPLUS	(8,571)	-	(8,571)	(8,768)	-	(8,768)
SHAREHOLDERS' EQUITY						
Share capital	-	1,050,000	1,050,000	-	1,050,000	1,050,000
Share premium	-	70,000	70,000	-	70,000	70,000
Statutory reserve	-	26,135	26,135	-	26,135	26,135
Accumulated losses	-	(204,256)	(204,256)	-	(147,611)	(147,611)
Fair values reserve gain on investments	-	23,009	23,009	-	24,893	24,893
TOTAL SHAREHOLDERS' EQUITY	-	964,888	964,888	-	1,023,417	1,023,417
TOTAL LIABILITIES, INSURANCE OPERATIONS' (DEFICIT) / SURPLUS AND SHAREHOLDERS' EQUITY						
	3,644,522	1,011,908	4,656,430	3,056,371	1,068,910	4,125,281

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF INCOME

	SAR '000					
	March 31, 2022			March 31, 2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
REVENUES						
Gross premiums written						
-Direct	1,231,201	-	1,231,201	1,028,915	-	1,028,915
-Reinsurance	-	-	-	-	-	-
	1,231,201	-	1,231,201	1,028,915	-	1,028,915
Reinsurance premiums ceded						
-Local	(7,813)	-	(7,813)	(90,457)	-	(90,457)
-Abroad	(104,635)	-	(104,635)	(132,114)	-	(132,114)
	(112,448)	-	(112,448)	(222,571)	-	(222,571)
Excess of loss expenses – foreign	(4,691)	-	(4,691)	(15,260)	-	(15,260)
Net written premiums	1,114,062	-	1,114,062	791,084	-	791,084
Changes in unearned premiums, net	(645,677)	-	(645,677)	(333,310)	-	(333,310)
Net premiums earned	468,385	-	468,385	457,774	-	457,774
Re-insurance commissions	15,272	-	15,272	18,325	-	18,325
TOTAL REVENUES	483,657	-	483,657	476,099	-	476,099
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(562,008)	-	(562,008)	(440,286)	-	(440,286)
Expenses incurred related to claims	(5,330)	-	(5,330)	(4,787)	-	(4,787)
Hospital discount	29,776	-	29,776	25,190	-	25,190
Reinsurers' share of claims paid	164,768	-	164,768	143,267	-	143,267
Net claims and other benefits paid	(372,794)	-	(372,794)	-	-	(276,616)
Changes in outstanding claims, net	(54,988)	-	(54,988)	(81,427)	-	(81,427)
Changes in incurred but not reported claims, net	2,522	-	2,522	(22,706)	-	(22,706)
Net claims and other benefits incurred	(425,260)	-	(425,260)	(380,749)	-	(380,749)
Changes in premium deficiency reserve	(38,484)	-	(38,484)	(693)	-	(693)
Other technical reserves	1,657	-	1,657	(438)	-	(438)
Policy acquisition costs	(6,406)	-	(6,406)	(16,342)	-	(16,342)
TOTAL UNDERWRITING COSTS AND	(468,493)	-	(468,493)	(398,222)	-	(398,222)
NET UNDERWRITING INCOME/ (LOSS)	15,164	-	15,164	77,877	-	77,877
OTHER OPERATING (EXPENSES)/ INCOME						
(Allowance for) / reversal of doubtful debts	(3,568)	-	(3,568)	(4,000)	-	(4,000)
General and administrative expenses	(91,307)	(969)	(92,276)	(69,812)	(1,093)	(70,905)
Special commission income	113	4,461	4,574	192	2,941	3,133
Realized gain on available for sale investment	-	16,277	16,277	-	1,158	1,158
Dividend income	-	3,363	3,363	-	1,849	1,849
Other income	1,071	-	1,071	408	-	408
TOTAL OTHER OPERATING (EXPENSES)/ INCOME	(93,691)	23,132	(70,559)	(73,212)	4,855	(68,357)
NET (LOSS)/INCOME FOR THE PERIOD BEFORE APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX						
	(78,527)	23,132	(55,395)	4,665	4,855	9,520
Shareholders' appropriation	78,527	(78,527)	-	(4,199)	4,199	-
NET (LOSS)/INCOME FOR THE PERIOD AFTER APPROPRIATION AND BEFORE ZAKAT AND INCOME TAX						
	-	(55,395)	(55,395)	466	9,054	9,520
Zakat and income tax						
Current zakat and income tax	-	(1,000)	(1,000)	-	(2,000)	(2,000)
Deferred tax	-	(250)	(250)	-	(249)	(249)
Net (loss)/income for the period	-	(56,645)	(56,645)	466	6,805	7,271

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

23 SUPPLEMENTARY INFORMATION (Continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	For the period ended March 31					
	SAR '000					
	2022			2021		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Net (loss)/income for the period	-	(56,645)	(56,645)	466	6,805	7,271
Other comprehensive income/(loss)						
Item that will not be reclassified to statement of income in subsequent period						
-Re-measurement of employees end of service indemnities	-	-	-	-	-	-
Items that are or may be reclassified to statement of income in subsequent periods						
<u>Available for sale investments</u>						
- Net change in fair values	197	(1,884)	(1,687)	71	788	859
<u>TOTAL COMPREHENSIVE (LOSS)/ INCOME</u>	197	(58,529)	(58,332)	537	7,593	8,130
<u>Reconciliation:</u>						
<u>Less: Net income attributable to insurance operations and transferred to surplus distribution payable.</u>			-			(466)
<u>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</u>			(58,332)			7,664

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

23 SUPPLEMENTARY INFORMATION

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	SAR '000					
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	For the three period ended March 31, 2022			For the three month period ended March 31, 2021		
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss)/income for the period before zakat and income tax	-	(55,395)	(55,395)	466	9,054	9,520
Adjustments for non-cash items:						
Depreciation and amortization	3,158	-	3,158	2,292	-	2,292
Realized gain on investments		(16,277)	(16,277)			
Allowance for doubtful debts	3,568	-	3,568	4,000	-	4,000
Provision for end of service indemnities	111	-	111	(1,315)	-	(1,315)
	6,837	(71,672)	(64,835)	5,443	9,054	14,497
Changes in operating assets and liabilities:						
Premiums and reinsurers' receivable	(475,528)	-	(475,528)	(238,212)	-	(238,212)
Reinsurers' share of unearned premiums	13,511	-	13,511	(109,950)	-	(109,950)
Reinsurers' share of outstanding claims	109,084	-	109,084	(55,423)	-	(55,423)
Reinsurers' share of claims Incurred but not reported	47,870	-	47,870	56,125	-	56,125
Deferred policy acquisition costs	(28,952)	-	(28,952)	(10,166)	-	(10,166)
Prepayment and other assets	(21,203)	(1,687)	(22,890)	(152,244)	(5,492)	(157,736)
Deposit against letter of guarantee	4,339	-	4,339	4,621	-	4,621
Right of use assets	2,096	-	2,096	1,501	-	1,501
Accounts and commission payable	(45,155)	-	(45,155)	(7,109)	-	(7,109)
Accrued expenses and other liabilities	77,668	(17)	77,651	127,016	(2)	127,014
Lease liability	(3,451)	-	(3,451)	(3,247)	-	(3,247)
Reinsurers' balances payable	(3,232)	-	(3,232)	121,473	-	121,473
Gross unearned premiums	632,165	-	632,165	443,260	-	443,260
Unearned reinsurance commission	8,506	-	8,506	12,745	-	12,745
Gross outstanding claims	(54,096)	-	(54,096)	136,851	-	136,851
Claims incurred but not reported	(50,392)	-	(50,392)	(33,420)	-	(33,420)
Premium deficiency reserve	38,484	-	38,484	(694)	-	(694)
Other technical reserves	(1,657)	-	(1,657)	1,825	-	1,825
Due from related party	-	-	-	-	-	-
Due to related party	(1,261)	-	(1,261)	(308)	-	(308)
	255,633	(73,376)	182,257	300,087	3,560	303,647
Payment of employees end of service indemnities	(568)	-	(568)	(2,084)	-	(2,084)
Surplus paid to policyholders	(3,821)	-	(3,821)	(4,380)	-	(4,380)
Zakat and income tax paid	-	-	-	-	-	-
Net cash from operating activities	251,244	(73,376)	177,868	293,623	3,560	297,183
CASH FLOWS FROM INVESTING ACTIVITIES						
(Purchase) / disposal of available for sale investments	-	(116,776)	(116,776)	-	(132,029)	(132,029)
(Placements) / proceeds in / from short term deposits	-	-	-	(150,000)	-	(150,000)
Additions in property, equipment and intangible	(14,598)	-	(14,598)	(2,208)	-	(2,208)
Net cash (used in) / generated from investing activities	(14,598)	(116,776)	(131,374)	(152,208)	(132,029)	(284,237)
CASH FLOWS FROM FINANCING ACTIVITIES						
Due to / (from) shareholders operation	(133,432)	133,432	-	(72,577)	72,577	-
Net cash (used in) / generated from financing activities	(133,432)	133,432	-	(72,577)	72,577	-
Net change in cash and cash equivalents	103,214	(56,720)	46,494	68,838	(55,892)	12,946
Cash and cash equivalents, beginning of the period	87,035	389,968	477,003	272,589	66,077	338,666
Cash and cash equivalents, end of the period	190,249	333,248	523,497	341,427	10,185	351,612

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022**

24 COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation.

25 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors of the Company, on 18 Shawwal 1443H, corresponding to 19 May 2022G.