
**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 SIX MONTH PERIOD ENDED
30 JUNE 2016**

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 six month period ended 30 June 2016

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

SCOPE OF REVIEW

We have reviewed the accompanying interim statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2016 and the related interim statement of income - insurance operations and accumulated surplus, interim statement of comprehensive income for insurance operations, interim statements of income and comprehensive income - shareholders' operations for the three-month and six-month periods then ended and interim statement of changes in shareholders' equity and interim statements of cash flows for insurance and shareholders' operations for the six-month period ended 30 June 2016 and the related notes 1 to 17 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

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

EMPHASES OF MATTER

1. 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.
2. We draw attention to Note 16 of the accompanying interim condensed financial statements which states that during the period ended 30 June 2016, the Saudi Arabian Monetary Agency ("SAMA") issued a letter to the Company that highlights the deteriorating solvency margin of the Company and the rectification measures to be taken by the Company according to Article 68 of the Insurance Implementing Regulations.

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22 Shawwal 1437H
27 July 2016

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

(Amounts in SR'000)

	<i>Notes</i>	30 June 2016 (Unaudited)	31 December 2015 (Audited)
INSURANCE OPERATIONS' ASSETS			
Bank balances and cash	5	660,204	595,318
Time deposits	6	122,943	197,790
Policyholders' and reinsurance balances receivable	7	1,797,056	1,688,147
Investments	8a,11a(ii)	28,268	60,224
Due from related parties	11a	639	72,606
Due from shareholders' operations		191,241	157,118
Reinsurers' share of outstanding claims		676,218	671,314
Reinsurers' share of unearned premiums		672,790	713,158
Deferred policy acquisition costs		211,689	181,807
Prepayments and other assets		144,024	54,851
Property and equipment, net		54,368	55,219
TOTAL INSURANCE OPERATIONS' ASSETS		4,559,440	4,447,552
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	218,572	108,912
Time deposits	6	-	96,052
Interest on statutory deposit		8,685	7,757
Investments	8b,11a(ii)	196,818	242,014
Prepayments and other assets		2,564	1,782
Investment in an associate	9	12,095	12,095
Land		30,000	30,000
Statutory deposit	10,11a(i)	150,000	100,000
Goodwill		480,000	480,000
TOTAL SHAREHOLDERS' ASSETS		1,098,734	1,078,612
TOTAL ASSETS		5,658,174	5,526,164




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 30 June 2016

(Amounts in SR'000)

	Notes	30 June 2016 (Unaudited)	31 December 2015 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		1,488,788	1,664,788
Due to related parties	11a	55,381	40,589
Accounts and commission payable		184,361	211,837
Accrued expenses and other liabilities		154,719	156,593
Reinsurance balances payable		181,419	120,216
Surplus distribution payable		106,591	106,591
Unearned reinsurance commission		55,645	56,315
Gross unearned premiums		2,286,528	2,054,448
Other claim reserves		45,771	34,350
TOTAL INSURANCE OPERATIONS' LIABILITIES		4,559,203	4,445,727
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	8a	237	1,825
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		4,559,440	4,447,552
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		762	762
Interest payable on statutory deposit		8,685	7,757
Provision for zakat and income tax		4,184	844
Due to insurance operations		191,241	157,118
TOTAL SHAREHOLDERS' LIABILITIES		204,872	166,481
SHAREHOLDERS' EQUITY			
Share capital	14	1,000,000	1,000,000
Statutory reserve	15	146,135	146,135
Accumulated deficit		(259,898)	(249,265)
Cumulative change in fair values of available for sale investments	8b	7,625	15,261
TOTAL SHAREHOLDERS' EQUITY		893,862	912,131
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,098,734	1,078,612
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		5,658,174	5,526,164




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 six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gross premiums written	891,381	1,148,660	2,124,963	2,664,420
Reinsurance premiums ceded	(143,188)	(172,570)	(297,913)	(385,975)
Excess of loss premiums	(4,134)	(2,762)	(7,958)	(5,525)
NET PREMIUMS WRITTEN	744,059	973,328	1,819,092	2,272,920
Change in unearned premiums, net	(4,255)	(91,051)	(272,448)	(561,845)
NET PREMIUMS EARNED	739,804	882,277	1,546,644	1,711,075
Gross claims paid and other expenses	(841,822)	(934,710)	(1,722,880)	(1,835,050)
Reinsurers' share of gross claims paid	88,831	186,897	221,782	403,251
Change in outstanding claims, net	102,092	(136,418)	180,904	(238,155)
Change in other claim reserves	(6,490)	(14,109)	(11,421)	(20,041)
NET CLAIMS INCURRED	(657,389)	(898,340)	(1,331,615)	(1,689,995)
Policy acquisition costs	(36,272)	(59,394)	(100,655)	(111,088)
Reinsurance commission income	10,848	13,715	48,526	66,487
NET UNDERWRITING RESULT	56,991	(61,742)	162,900	(23,521)
General and administrative expenses	(110,549)	(88,086)	(211,413)	(184,288)
Impairment losses on available for sale investments	-	-	(725)	-
Special commission income	6,483	1,244	9,312	2,600
Other income	12,352	12,879	20,204	29,377
INSURANCE OPERATIONS' DEFICIT	(34,723)	(135,705)	(19,722)	(175,832)
Shareholders' appropriation from insurance operations' deficit	2 34,723	135,705	19,722	175,832
ACCUMULATED SURPLUS AT THE END OF THE PERIOD	-	-	-	-

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 COMPREHENSIVE INCOME - INSURANCE OPERATIONS

(Amounts in SR'000)

Note	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i> 2016 <i>(Unaudited)</i>	<i>30 June</i> 2015 <i>(Unaudited)</i>	<i>30 June</i> 2016 <i>(Unaudited)</i>	<i>30 June</i> 2015 <i>(Unaudited)</i>
INSURANCE OPERATION' SURPLUS AFTER SHAREHOLDERS' APPROPRIATION	-	-	-	-
Other comprehensive loss:				
Items that may be reclassified to statement of income in subsequent period				
<u>Available for sale investments</u>				
Change in fair values	8 (a) (2,415)	242	(2,313)	662
Impairment loss transferred to interim statement of income	-	-	725	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(2,415)	242	(1,588)	662




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 six month period ended</i>	
		<i>30 June 2016 (Unaudited)</i>	<i>30 June 2015 (Unaudited)</i>	<i>30 June 2016 (Unaudited)</i>	<i>30 June 2015 (Unaudited)</i>
INCOME / (LOSS)					
Shareholders' appropriation from insurance operations' deficit	2	(34,723)	(135,705)	(19,722)	(175,832)
Special commission income		3,165	1,961	4,906	3,475
Realised gain on sale of available for sale investments		12,838	713	12,838	713
Dividend income on available for sale investments		326	620	326	828
Income from investment in an associate		-	-	-	2,723
		<u>(18,394)</u>	<u>(132,411)</u>	<u>(1,652)</u>	<u>(168,093)</u>
EXPENSES					
General and administrative		(1,290)	(2,537)	(2,154)	(5,464)
Impairment losses on available for sale investments	8b	-	-	(616)	(13,751)
		<u>(1,290)</u>	<u>(2,537)</u>	<u>(2,770)</u>	<u>(19,215)</u>
NET LOSS FOR THE PERIOD		<u>(19,684)</u>	<u>(134,948)</u>	<u>(4,422)</u>	<u>(187,308)</u>
BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD	13	<u>(0.20)</u>	<u>(1.35)</u>	<u>(0.04)</u>	<u>(1.87)</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 COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS
(Amounts in SR'000)

	<u>For the three month period ended</u>		<u>For the six month period ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
NET LOSS FOR THE PERIOD	(19,684)	(134,948)	(4,422)	(187,308)
Other comprehensive (loss) / income:				
Items that will not be reclassified to interim statement of income in subsequent period				
<u>Zakat and income tax</u>	(1,936)	(1,449)	(6,211)	(3,488)
Items that may be reclassified to interim statement of income in subsequent period				
<u>Available for sale investments</u>				
<u>Change in fair values</u>	(6,953)	1,536	(8,252)	17,095
<u>Impairment loss transferred to interim statement of income</u>	-	-	616	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(28,573)	(134,861)	(18,269)	(173,701)




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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 2016
(Amounts in SR'000)

	Share capital	Statutory reserve	Accumulated deficit	Cumulative change in fair value of available for sale investments	Total
Balance at 1 January 2016 (Audited)	1,000,000	146,135	(249,265)	15,261	912,131
Total comprehensive loss for the period:					
Net loss for the period	-	-	(4,422)	-	(4,422)
Zakat and income tax	-	-	(6,211)	-	(6,212)
Change in fair values	-	-	-	(8,252)	(8,252)
Impairment loss transferred to interim statement of income shareholders' operations	-	-	-	616	616
Balance at 30 June 2016 (Unaudited)	1,000,000	146,135	(259,898)	7,625	893,862
Balance at 1 January 2015 (Audited)	1,000,000	146,135	19,990	9,945	1,176,070
Total comprehensive loss for the period:					
Net loss for the period	-	-	(187,308)	-	(187,308)
Zakat and income tax	-	-	(3,488)	-	(3,488)
Change in fair values	-	-	-	17,095	17,095
Balance at 30 June 2015 (Unaudited)	1,000,000	146,135	(170,806)	27,040	1,002,369

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 six month period ended 30 June 2016

(Amounts in SR'000)

	30 June 2016	30 June 2015
Note	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	-	-
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from / (utilized) operating activities:</i>		
Depreciation	4,727	4,465
Special commission income	(9,312)	(2,600)
Provision for doubtful debts	35,000	-
Realised gain on sale of available for sale investments	(1,683)	-
Impairment losses on available for sale investment	725	-
Cash from operations	29,457	1,865
<i>Changes in operating assets and liabilities:</i>		
Gross unearned premiums	232,080	414,739
Reinsurers' share of unearned premiums	40,368	147,106
Policyholders' and reinsurance balances receivable	(143,909)	(705,027)
Due from related parties	71,967	1,064
Due to related parties	14,792	22,995
Reinsurers' share of outstanding claims	(4,904)	(71,489)
Deferred policy acquisition costs	(29,882)	(74,359)
Prepayments and other assets	(89,173)	(12,269)
Deposit against letters of guarantee	1,259	1,939
Gross outstanding claims	(176,000)	309,644
Accounts and commissions payable	(27,476)	(74,276)
Accrued expenses and other liabilities	(1,874)	21,906
Reinsurance balances payable	61,203	102,971
Unearned reinsurance commission	(670)	(6,954)
Other reserves	11,421	20,041
Net cash (used in) / generated from operating activities	(11,341)	99,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Time deposits	74,847	74,376
Special commission income	9,312	2,600
Proceeds from sale of available for sale investment	31,326	-
Proceeds from sale of property and equipment	-	72
Purchase of property and equipment	(3,876)	(5,132)
Net cash generated from investing activities	111,609	71,916
CASH FLOWS FROM FINANCING ACTIVITIES		
Due from shareholders' operations, net	(34,123)	(265,033)
Net cash used in financing activities	(34,123)	(265,033)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	66,145	(93,221)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	574,244	673,942
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	640,389	580,721
Non-cash transaction:		
Change in fair values of available for sale investments	(1,588)	662

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 six month period ended 30 June 2016

(Amounts in SR'000)

	Note	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(4,422)	(187,308)
<i>Adjustments for:</i>			
Special commission income		(4,906)	(3,475)
Dividend income on available for sale investments		(326)	(828)
Realised gain on sale of available for sale investments		(12,838)	(713)
Income from investment in associate		-	(2,723)
Impairment losses on available for sale investment		616	13,751
Cash from operations		(21,876)	(181,296)
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		(782)	(399)
Zakat and income tax paid		(2,871)	(20,956)
Accrued expenses and other liabilities		-	2,367
Net cash used in operating activities		(25,529)	(200,284)
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits		96,052	(161,174)
Proceeds from sale of available for sale investment		49,782	-
Purchase of available for sale investments		-	3,285
Special commission income		4,906	3,475
Dividend income on available for sale investments		326	828
Increase in statutory deposit		(50,000)	-
Net cash generated from / (used in) investing activities		101,066	(153,586)
CASH FLOWS FROM FINANCING ACTIVITIES			
Due to insurance operations, net		34,123	265,033
Net cash generated from financing activities		34,123	265,033
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		109,660	(88,837)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	108,912	241,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	218,572	152,782
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		(7,636)	17,095

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)

30 June 2016

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 six month period ended 30 June 2016 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 2015.

As indicated in Note 16 to the accompanying interim condensed financial statements, the Company continues to take the necessary actions as advised by SAMA to comply with the solvency margin. The management of the Company believes that it will be able to comply with the underlying requirements in the near future. Accordingly, these accompanying interim condensed financial statements are prepared on a going concern basis. (Also see Note 16).

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 six month period ended 30 June 2016 amounted to SR 19,722 thousand (30 June 2015: deficit of SR 175,832 thousand). Accordingly, there were no transfer from insurance operations to the shareholders' operations for the period ended 30 June 2016 (30 June 2015: no transfer from insurance operations to the shareholders' operations).

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

30 June 2016

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, 2015 except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had 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:

New and amended standards issued and adopted

- IFRS 14 – “Regulatory Deferral Accounts”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Amendments to existing standards

-Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

-Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

-Amendments to IAS 1 – “Presentation of Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

30 June 2016

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

Amendments to existing standards (continued)

- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 41 – “Agriculture”, applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – “Accounting for Government Grants and Disclosure of Government Assistance” , instead of IAS 41.

- Amendments to IAS 27 – “Separate Financial Statements”, applicable for the annual periods beginning on or after 1 January 2016, allows an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

-IFRS 5 - “Non-current Assets Held for Sale and Discontinued Operations” , amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

-IFRS 7 - “Financial Instruments: Disclosures” has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

-IAS 19 - “Employee Benefits” - amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

-IAS 34 - “Interim Financial Reporting” - amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

5. BANK BALANCES AND CASH

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	SR'000	SR'000	SR'000	SR'000
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
Cash in hand and at banks	100,254	34,211	231,194	2,122
Short-term time deposits	540,135	184,361	343,050	106,790
Cash and cash equivalents in the statement of cash flows	640,389	218,572	574,244	108,912
Deposits against letters of guarantee	19,815	-	21,074	-
	660,204	218,572	595,318	108,912

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5. BANK BALANCES AND CASH (Continued)

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 2.98% per annum (31 December 2015: 1.95% 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.

6. TIME DEPOSITS

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

Time deposits are placed with local and licensed foreign banks' branches in Kingdom of Saudi Arabia with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 3.05% per annum (31 December 2015: 1.38% 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>30 June 2016</i> <i>(Unaudited)</i> SR'000	<i>31 December 2015</i> <i>(Audited)</i> SR'000
Policyholders' balances receivable	1,548,148	1,291,600
Less: Provision for doubtful debts	(182,862)	(147,862)
	<u>1,365,286</u>	<u>1,143,738</u>
Reinsurance balances receivable	435,409	548,048
Less: Provision for doubtful debts	(3,639)	(3,639)
	<u>431,770</u>	<u>544,409</u>
Total policyholders' and reinsurance balances receivable	<u><u>1,797,056</u></u>	<u><u>1,688,147</u></u>

8. INVESTMENTS

Investments are classified as set out below:

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

	<i>30 June 2016</i> <i>(Unaudited)</i> SR'000	<i>31 December 2015</i> <i>(Audited)</i> SR'000
Mutual funds	3,268	33,070
Sukuk	25,000	25,000
Equities	-	2,154
Total	<u><u>28,268</u></u>	<u><u>60,224</u></u>

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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:

	30 June 2016 <i>(Unaudited)</i> SR'000	31 December 2015 <i>(Audited)</i> SR'000
At the beginning of the period / year	60,224	97,733
Sold during the period / year	(31,326)	(37,500)
Realised gain	28,898	60,233
Impairment loss	1,683	10
Net change in fair values	(725)	-
	(1,588)	(19)
At the end of the period / year	28,268	60,224

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 237 thousand (31 December 2015: SR 1,825 thousand) is presented within insurance operations' surplus' in the statement of financial position.

(b) Shareholders' operations – Available for sale investments

	30 June 2016 <i>(Unaudited)</i> SR'000	31 December 2015 <i>(Audited)</i> SR'000
Mutual funds	55,439	74,843
Bonds	98,460	96,139
Sukuk	40,996	51,060
Equities	1,923	19,972
Total	196,818	242,014

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

	30 June 2016 <i>(Unaudited)</i> SR'000	31 December 2015 <i>(Audited)</i> SR'000
At the beginning of the period / year	242,014	270,415
Sold during the period / year	(49,782)	(18,298)
Realised gain	192,232	252,117
Impairment loss	12,838	774
Net change in fair values	(616)	(16,193)
	(7,636)	5,316
At the end of the period / year	196,818	242,014

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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 7,625 thousand (31 December 2015: SR 15,261 thousand) 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:

	30 June 2016 (Unaudited)			
	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<i>Available for sale investments</i>				
Mutual funds	58,707	-	-	58,707
Bonds	9,998	88,462	-	98,460
Sukuk	-	65,996	-	65,996
Equities	-	-	1,923	1,923
Total available for sale investments	68,705	154,458	1,923	225,086
	31 December 2015 (Audited)			
	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<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	-	1,923	22,126
Total available for sale investments	148,178	152,137	1,923	302,238

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9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment in Al-Waseel for Electronic Transportation amounting to SR 12,095 thousand (a 25% equity interest) (2015: SR 12,095), 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. Further, SAMA has increased the statutory deposit by 5% and accordingly the company has transferred the same to arrive at 15% statutory deposit (refer to note 16). This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA").

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the period ended</i>		<i>Balance</i>	
		<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Due from related parties					
Medgulf BSC - Head office account (<i>parent company</i>)	-Claims recoveries on behalf of parent company	639	-	-	-
	-Payment received during the period	23,879	-	-	-
	-Balance due from at period end/year	-	-	639	23,879
Medgulf BSC - Operation account (<i>parent company</i>)	-Reinsurance recoveries on behalf of parent company	-	4	-	-
	-Settlement on behalf of parent company (run off)	-	14	-	-
	-Payment received during the period	24,206	-	-	-
	-Balance due from at period end/year	-	-	-	24,206
Medgulf Egypt (<i>fellow subsidiary</i>)	-Payment received during the period	58	-	-	-
	-Balance due from at period end/year	-	-	-	58
Medgulf Jordan (<i>fellow subsidiary</i>)	-Payment received during the period	25	-	-	-
	-Balance due from at period end/year	-	-	-	25
Motion al-Saudia (<i>fellow subsidiary</i>) (in liquidation)	-Payment received during the period	10,924	-	-	-
	-Balance due from at period end/year	-	-	-	10,924

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the period ended</i>		<i>Balance</i>	
		<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>Due from related parties (continued)</u>					
Addison Bradley Arabia- KSA – (fellow subsidiary)	-Payment received during the period	13,066	-	-	-
	-Balance due from at period end/year	-	-	-	13,066
Al Samiya Trading Co (fellow subsidiary)	-Payment received during the period	448	-	-	-
	-Gross written premium	-	21	-	-
	-Balance due from at period end/year	-	-	-	448
Medgulf Lebanon	-Claims paid by fellow subsidiary on behalf of Medgulf KSA	-	1,075	-	-
				639	72,606
<u>Due to related parties</u>					
Medivisa KSA (fellow subsidiary)	-Insurance premium for employees of fellow subsidiary	3,843	3,153	-	-
	-Third party administration fees	52,339	67,280	-	-
	-Claim incurred	46	115	-	-
	-Payment to Medivisa KSA	-	275	-	-
	-Payment received	37	-	-	-
	-Premium refundable	213	155	-	-
	-Payment on third party administration fees	34,000	41,225	-	-
	-Balance due to at period end/year	-	-	55,381	40,589
Medivisa Jordan (fellow subsidiary)	-5% service fees paid on behalf of Medgulf KSA	-	68	-	-
				55,381	40,589

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 June 2016	30 June 2015	30 June 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
The Saudi Investment Bank, (Founding shareholders)	-Current account and time deposits	29,365	2,576	29,888	523
	-Statutory deposit (refer note 11.a (i))	50,928	375	158,685	107,757
	-Gross written premiums	161	439	-	-
	-Premiums refundable	-	-	(884)	(664)
	-Claims incurred	783	527	-	-
	-Outstanding claims payable	-	-	(599)	(361)
Al Istithmar Capital (subsidiary of SIB-founding shareholders)	-Discretionary portfolio arrangement (refer 11.a (ii))	28	699	55,964	55,163
	-GCC Equity Fund	9,272	-	-	9,272
	-Gross Written Premium	24	-	-	-
	-Premiums refundable	-	-	(38)	(14)
Banque de Credit National (Common ownership and directors)	-Current account and time deposits	-	19	-	-
	Creative solutions restaurants Co. (Under common directorship)	218	94	-	-
Sanaya dental care (Under common directorship)	-Claims incurred	186	-	-	-
	-Premiums receivable	-	-	28	2
	-Medical claim	84	-	-	-
	-Payment on account	93	-	-	-
	-Balance due to at period end/year	-	-	-	9

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 June 2016	30 June 2015	30 June 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Medivisa KSA (fellow subsidiary)	-Medical claim Jordan / balance	1,446	-	1,605	159
	-Medical claim Lebanon / balance	277	-	277	-
	-Medical claim Egypt / balance	141	-	160	19
Saudi Orix (Shareholders of the parent company)	-Income on Sukuk	-	94	-	-
	-Gross written premiums	25,694	27,320	-	-
	-Premiums receivable	-	-	1,751	1,925
	-Claims incurred	12,263	10,046	-	-
	-Outstanding claims payable / recovery	-	-	(243)	(220)
Safari Group of companies (common Directorship)	-Gross written premiums	15,696	13,071	-	-
	-Premiums receivable	-	-	14,096	1,126
	-Claims incurred	7,033	6,167	-	-
	-Claims payable	-	-	(501)	(785)
Khalid A. Al Shathry Construction Co. (Under common directorship)	-Gross written premiums	12	23	-	-
	-Premiums receivable	-	-	131	119
	-Claims incurred	25	25	-	-
	- Outstanding claims payable / (recovery)	-	-	1	-
Khalid A. Al Shathry- board member (individual motor policies)	-Gross written premiums	7	12	-	-
	-Premiums receivables	-	-	703	831
	-Claims incurred	-	2	-	-
	-Outstanding claims	-	-	(11)	(11)
Al Jasamah establishment (Under common directorship)	-Gross written premiums	-	148	-	-
	-Premiums receivables	-	-	-	4
	-Claims incurred	74	308	-	-
	-Outstanding claims	-	-	(4)	(8)

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<i>Related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction for the period ended</i>		<i>Balance</i>	
		<i>30 June 2016</i>	<i>30 June 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Medgulf BSC (parent company)	-Claim recoveries receivable	25,801	-	-	-
	-Reinsurance premium ceded	-	3,053	-	-
	-Payment received during the period	126,586	-	-	-
	-Balance Receivable / (payable) period/year end	-	-	205,107	305,892
	-Reinsurance premiums ceded	-	61	-	-
Addison Bradley Overseas (fellow subsidiary)	-Reinsurance claim recoveries	-	15,237	-	-
	-Claim recoveries	-	172,981	-	-
	-Reinsurance commission income	-	305	-	-
	-Payment received during the period	54,527	-	-	-
	-Balance at the end of period/year end	-	-	-	54,527
Addison Bradley Arabia Holding LLC (UAE) (fellow subsidiary)	-Reinsurance claim recoveries payable	2	2	-	(2,692)
	-Payment made during the period	2,692	-	-	-
SIB LLC (UAE) (fellow subsidiary)	-Payment received during the period	31	-	-	-
	-Balance due to at period / year end	-	-	-	(31)
Addison Bradley Arabia-KSA (fellow subsidiary)	-Reinsurance receivable / (payable)	-	-	-	3,164
	-Premiums receivable	-	-	-	1,406
	-Payment received during the period	4,570	-	-	-

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11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the period ended		Balance	
		30 June 2016	30 June 2015	30 June 2016	31 December 2015
		SR'000	SR'000	SR'000	SR'000
Addison Bradley Arabia- KSA – reinsurance broker (fellow subsidiary)	-Reinsurance premiums ceded	-	6	-	-
	-Reinsurance claim recoveries	-	347	-	-
	-Collection from recoveries	-	6,145	-	-
Emad J. Baban (individual motor policies of Director)	-Gross written premiums	20	19	-	-
Saleh Al-Sagri (individual motor policies of Director)	-Gross written premiums	64	149	-	-
	-Premiums refundable	-	-	-	(8)
	-Claims incurred	2	6	-	-
	-Outstanding claims	-	-	1	-
Lutfi Fadel El Zein - board member	-Premiums receivable	-	-	44	-

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

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

11.b Compensation of key management personnel

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

	30 June 2016	31 December 2015
	(Unaudited) SR'000	(Audited) SR'000
Short term benefits	7,987	13,178
End of service benefits	306	1,368
	8,293	14,546

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12. SEGMENTAL INFORMATION

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

Segment results do not include allocation of general and administrative expenses, special commission income and other income to operating segments.

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

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

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

Operating segments

*For the six-month period ended
June 2016 (Unaudited)*

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<i>Insurance operations</i>				
Gross premiums written	1,517,065	382,122	225,776	2,124,963
Net premiums written	1,516,065	263,668	39,359	1,819,092
Net premiums earned	1,280,919	221,545	44,180	1,546,644
Net claims incurred	(1,132,870)	(188,990)	(9,755)	(1,331,615)
Policy acquisition costs	(65,797)	(19,768)	(15,090)	(100,655)
Reinsurance commission income	-	22,517	26,009	48,526
Net underwriting result	82,252	35,304	45,344	162,900
General and administrative expenses and impairment charge on available for sale investment				(212,138)
Special commission income and other income				29,516
Insurance operations' deficit				(19,722)

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12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

*For the six-month period ended
June 2015 (Unaudited)*

	<i>Medical SR '000</i>	<i>Motor SR '000</i>	<i>Other SR '000</i>	<i>Total SR '000</i>
<i>Insurance operations</i>				
Gross premiums written	1,918,583	439,960	305,877	2,664,420
Net premiums written	1,915,530	303,076	54,314	2,272,920
Net premiums earned	1,380,995	282,436	47,644	1,711,075
Net claims incurred	(1,329,153)	(351,900)	(8,942)	(1,689,995)
Policy acquisition costs	(74,990)	(19,747)	(16,351)	(111,088)
Reinsurance commission income	20,905	18,479	27,103	66,487
Net underwriting result	(2,243)	(70,732)	49,454	(23,521)
General and administrative expenses				(184,288)
Special commission income and other income				31,977
Insurance operations' deficit				(175,832)

*For the three month period ended
June 2016 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Other SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	633,958	143,143	114,280	891,381
Net premiums written	633,958	97,713	12,388	744,059
Net premiums earned	613,620	110,581	15,603	739,804
Net claims incurred	(556,216)	(96,410)	(4,763)	(657,389)
Policy acquisition costs	(31,320)	1,552	(6,504)	(36,272)
Reinsurance commission income	-	(502)	11,350	10,848
Net underwriting result	26,084	15,221	15,686	56,991
General and administrative expenses and impairment charge on available for sale investment				(110,549)
Special commission income and other income				18,835
Insurance operations' deficit				(34,723)

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12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

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

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Other SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	858,075	151,194	139,391	1,148,660
Net premiums written	857,646	99,756	15,926	973,328
Net premiums earned	719,843	139,295	23,139	882,277
Net claims incurred	(697,463)	(198,105)	(2,772)	(898,340)
Policy acquisition costs	(38,240)	(13,289)	(7,865)	(59,394)
Reinsurance commission income	170	1,663	11,882	13,715
Net underwriting result	(15,690)	(70,436)	24,384	(61,742)
General and administrative expenses				(88,086)
Special commission income and other income				14,123
Insurance operations' deficit				(135,705)

*As at 30 June 2016
(Unaudited)*

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	-	95,593	577,197	672,790
Reinsurers' share of outstanding claims	4,482	86,784	584,952	676,218
Deferred policy acquisition costs	161,722	22,686	27,281	211,689
Unallocated assets				2,998,743
				4,559,440
<i>Insurance operations' liabilities and surplus</i>				
Gross unearned premiums	1,326,368	318,642	641,518	2,286,528
Unearned reinsurance commission	-	18,053	37,592	55,645
Gross outstanding claims	618,981	263,689	606,118	1,488,788
Unallocated liabilities				728,479
				4,559,440

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(Continued)

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12. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

<i>As at 31 December 2015 (Audited)</i>	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</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
				<u>4,447,552</u>
<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
				<u>4,447,552</u>

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

Basic and diluted earnings per share for the period was calculated by dividing the net income / (loss) 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 was null transfer to statutory reserve.

16. SOLVENCY MARGIN

During the period, the SAMA issued a letter to the Company under Ref. 371000070025 dated 30 March 2016. The letter highlights the deteriorating solvency margin of the Company and the rectification measures to be taken by the Company according to Article 68 of the Insurance Implementing Regulations. SAMA in its aforesaid letter instructed the Company to meet the solvency margin requirement before 30 September 2016 and increase its statutory deposit from 10% to 15% of the paid up capital before 21 April 2016. Further, SAMA directed the Company to appoint a consultant to study the reasons for the deterioration of the financial position and formulate a strategy to overcome the deterioration. The letter also indicates that detailed progress report on the consultant's work, on a monthly and quarterly basis, and final report should be submitted to SAMA. During the three-month period ended 30 June 2016, the Company increased the statutory deposit to 15% of the paid up capital, appointed a consultant and submitted the consultant's initial reports to SAMA as advised. The Company continues to take the necessary actions as advised by SAMA and believes that it will be able to comply with the underlying requirements in the near future.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(Continued)

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17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on Shawwal 19, 1437H (corresponding to July 24, 2016).