

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2019**

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019

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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE
INTERIM CONDENSED FINANCIAL STATEMENTS**

To the Shareholders
Gulf General Cooperative Insurance Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Gulf General Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 30 June 2019, and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim condensed statements of changes in equity and cash flows for the six-month periods then ended and a summary of significant accounting policies and related notes from 1 to 20 which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements 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 these interim condensed financial statements 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" that is 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 statements are not prepared, in all material respects, as at 30 June 2019, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

for El Sayed El Ayouly & Co.



Mohamed El Sayed El Ayouly
Certified Public Accountant
License No. 211



for Al-Bassam & Co
(Allied Accountants)



Arshim A. Al Bassam
Certified Public Accountant
License No. 337



Jeddah, Kingdom of Saudi Arabia
6 Dhul-Hijjah 1440H
7 August 2019

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
	Notes	SR'000	SR'000
ASSETS			
Cash and cash equivalents	4	149,623	90,387
Murabaha deposits	5	—	82,000
Premiums receivable, net	6	63,282	48,465
Due from reinsurers, net		19,485	16,857
Reinsurers' share of unearned premiums	8.2	44,757	35,607
Reinsurers' share of outstanding claims	8.1	21,474	45,365
Reinsurers' share of claims incurred but not reported	8.1	17,860	14,776
Reinsurers' excess of loss claims		3,361	3,644
Deferred policy acquisition costs		7,583	6,224
Investments	7	44,253	39,431
Prepayments and other assets		18,801	10,656
Property and equipment		4,428	4,160
Intangible assets		2,418	2,126
Goodwill	1.b	36,260	36,260
Statutory deposit	1.a	20,000	20,000
Accrued interest on statutory deposit	1.a	1,624	1,347
TOTAL ASSETS		455,209	457,305
LIABILITIES			
Due to policyholders		8,428	7,926
Accrued expenses and other liabilities		4,769	8,907
Due to reinsurers		8,870	11,323
Due to brokers		19,983	18,176
Unearned premiums	8.2	122,854	101,854
Unearned reinsurance commission		6,935	5,878
Outstanding claims	8.1	45,384	68,443
Claims incurred but not reported	8.1	35,926	31,248
Premium deficiency reserve	8.1	6,485	11,004
Other technical reserves	8.1	3,206	3,740
End of service indemnities		7,024	7,130
Surplus distribution payable		9,097	9,078
Accrued zakat	14	9,518	11,500
Accrued interest on statutory deposit	1.a	1,624	1,347
TOTAL LIABILITIES		290,103	297,554
SHAREHOLDERS' EQUITY			
Share capital	15	200,000	200,000
Statutory reserve		2,165	2,165
Accumulated losses		(37,683)	(43,038)
TOTAL SHAREHOLDERS' EQUITY		164,482	159,127
Re-measurement reserve of defined benefit obligations		624	624
TOTAL EQUITY		165,106	159,751
TOTAL LIABILITIES AND EQUITY		455,209	457,305
COMMITMENTS AND CONTINGENCIES			
	10	300	300

COMMITMENTS AND CONTINGENCIES


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)
For the three-month and six-month periods ended 30 June 2019

	Notes	<i>Three-month period ended 30 June (Unaudited)</i>		<i>Six-month period ended 30 June (Unaudited)</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>SR'000</i>	<i>(Restated) SR'000</i>	<i>SR'000</i>	<i>(Restated) SR'000</i>
REVENUES					
Gross written premiums	9,12,18	51,075	72,575	136,440	167,021
Less: Reinsurance contracts premiums ceded					
- Local reinsurance		(612)	(511)	(1,933)	(10,936)
- Foreign reinsurance		(15,008)	(25,704)	(43,999)	(61,640)
Excess of loss expenses		(3,226)	(1,802)	(6,442)	(3,031)
Net written premiums		32,229	44,558	84,066	91,414
Movement in net unearned premiums		3,496	(18,566)	(11,847)	(44,142)
Net premiums earned		35,725	25,992	72,219	47,272
Reinsurance commissions		4,616	4,613	11,330	8,792
Other underwriting income		22	1,032	52	1,530
TOTAL REVENUES		40,363	31,637	83,601	57,594
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	12,18	40,327	24,670	92,211	65,307
Expenses incurred related to claims		3,492	1,355	5,182	2,775
Less: Reinsurers' share of claims paid		(16,493)	(10,713)	(42,664)	(36,018)
Net claims and other benefits paid		27,326	15,312	54,729	32,064
Change in net outstanding claims, net		(410)	(965)	1,117	(3,189)
Changes in claims incurred but not reported, net		119	895	1,596	758
Net claims and other benefits incurred		27,035	15,242	57,442	29,633
Provision / (reversal) for premium deficiency reserve		(5,935)	537	(4,519)	(879)
Other technical reserves		(542)	(833)	(535)	(159)
Policy acquisition costs		2,608	3,234	6,591	6,669
TOTAL UNDERWRITING COSTS AND EXPENSES		23,166	18,180	58,979	35,264
NET UNDERWRITING INCOME		17,197	13,457	24,622	22,330



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited) (continued)
For the three-month and six-month periods ended 30 June 2019

		<i>Three-month period ended 30 June (Unaudited)</i>		<i>Six-month period ended 30 June (Unaudited)</i>	
		<i>2019</i>	<i>2018 (Restated)</i>	<i>2019</i>	<i>2018 (Restated)</i>
	Notes	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
OTHER OPERATING INCOME / (EXPENSES)					
Allowance for impairment of doubtful debts		(1,793)	(3,678)	(1,148)	(3,445)
General and administration expenses		(15,282)	(16,080)	(30,082)	(29,676)
Commission income on deposits		970	855	2,066	1,524
Realized gain on investments	7	780	--	780	--
Unrealized gain on investments	7	599	2,539	6,712	5,312
Other income		2,126	2,098	4,289	3,182
TOTAL OTHER OPERATING EXPENSES		(12,600)	(14,266)	(17,383)	(23,103)
INCOME / (LOSS) FOR THE PERIOD		4,597	(809)	7,239	(773)
INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS	18	(307)	--	(19)	--
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS BEFORE ZAKAT		4,290	(809)	7,220	(773)
PROVISION FOR ZAKAT		(865)	(1,469)	(1,865)	(2,663)
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		3,425	(2,278)	5,355	(3,436)
EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)	17	0.17	(0.11)	0.27	(0.17)



Director



Chief Financial Officer



Chief Executive Officer


The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month and six-month periods ended 30 June 2019

	<i>Three-months period ended 30 June (Unaudited)</i>		<i>Six-months period ended 30 June (Unaudited)</i>	
	<i>2019</i>	<i>2018 (Restated)</i>	<i>2019</i>	<i>2018 (Restated)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	3,425	(2,278)	5,355	(3,436)
<i>Items that will not be reclassified to interim condensed statement of income in subsequent periods</i>				
Other comprehensive income / (loss)	--	--	--	--
<i>Items that are or may be reclassified to interim condensed statement of income in subsequent periods</i>				
Other comprehensive income / (loss)	--	--	--	--
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	3,425	(2,278)	5,355	(3,436)



Director



Chief Financial Officer



Chief Executive Officer


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GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)


INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the six-months period ended 30 June 2019

2019	<i>For the six-months period ended 30 June 2019</i>				
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Re-measurement reserve of defined benefit obligations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 1 January 2019 (audited)	200,000	2,165	(43,038)	624	159,751
<i>Total comprehensive income for the period attributable to the shareholders</i>					
Net income for the period attributable to the shareholders	--	--	5,355	--	5,355
Other comprehensive income	--	--	--	--	--
Balance as at 30 June 2019 (unaudited)	<u>200,000</u>	<u>2,165</u>	<u>(37,683)</u>	<u>624</u>	<u>165,106</u>


2018	<i>For the six-months period ended 30 June 2018</i>				
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Re-measurement reserve of defined benefit obligations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 1 January 2018 (audited - restated) (note 19.b)	200,000	2,165	(4,815)	752	198,102
<i>Total comprehensive loss for the period attributable to the shareholders</i>					
Net loss for the period attributable to the shareholders	--	--	(3,436)	--	(3,436)
Other comprehensive income	--	--	--	--	--
Balance as at 30 June 2018 (unaudited)	<u>200,000</u>	<u>2,165</u>	<u>(8,251)</u>	<u>752</u>	<u>194,666</u>



Director



Chief Executive Officer




Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
For the six-months period ended 30 June 2019

	Notes	30 June 2019 (Unaudited) SR'000	30 June 2018 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period before Zakat		7,239	(773)
Adjustments for non-cash items:			
Depreciation		751	791
Amortization		424	105
Allowance for impairment of premiums receivable	6	468	3,531
Provision / (reversal) for impairment of reinsurance receivables		680	(86)
Realized gain on investments held at FVIS	7	(780)	--
Unrealized gain on investments held at FVIS	7	(6,712)	(5,312)
Operating income / (loss) before changes in operating assets and liabilities		2,070	(1,744)
Changes in operating assets and liabilities:			
Premiums receivable, net		(15,285)	(26,831)
Due from reinsurers		(3,308)	9,398
Reinsurers' share of unearned premiums		(9,150)	(24,660)
Reinsurer's share of outstanding claims		23,891	4,421
Reinsurer's share of claims incurred but not reported		(3,084)	5,970
Reinsurer's excess of loss claims		283	787
Deferred policy acquisition costs		(1,359)	(1,932)
Prepayments and other assets		(8,145)	3,298
Due to policyholders		502	(2,119)
Accrued expenses and other liabilities		(4,138)	(10,270)
Due to reinsurers		(2,453)	15,380
Due to brokers		1,807	2,541
Unearned premiums		21,000	68,802
Unearned reinsurance commission		1,057	2,343
Outstanding claims		(23,059)	(8,397)
Claims incurred but not reported		4,678	(5,212)
Premium deficiency reserve		(4,519)	(879)
Other technical reserves		(534)	(159)
End of service indemnities, net		(106)	(164)
Zakat paid	14	(21,922)	32,317
Surplus paid to policyholders		(3,847)	(5,419)
		--	(1,053)
Net cash (used in) / generated from operating activities		(23,699)	24,101



Director



Chief Financial Officer




Chief Executive Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

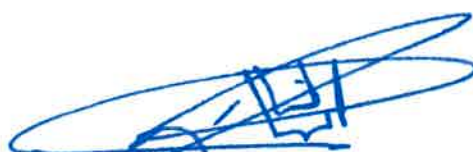
**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (continued)
For the six-months period ended 30 June 2019


	Notes	30 June 2019 (Unaudited) SR'000	30 June 2018 (Unaudited) SR'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,019)	(818)
Purchase of intangible assets		(716)	(495)
Purchase of investments	7	--	(4,217)
Disposal of investments	7	2,670	3,797
Maturity of murabaha deposits		82,000	--
Net cash generated from / (used in) investing activities		82,935	(1,733)
NET INCREASE IN CASH AND CASH EQUIVALENTS		59,236	22,368
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		90,387	110,768
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	149,623	133,136



Director



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 June 2019

1. GENERAL

a) Organization and principal activities

Gulf General Cooperative Insurance Company ("GGCI" or the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 12/Q dated 17 Muharram 1431H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431H (corresponding to 25 January 2010). The registered address of the Company's head office is as follows:

Gulf General Cooperative Insurance Company
Al Gheithy Plaza, Second Floor,
Ameer Al Shoura'a Street
Jeddah, Kingdom of Saudi Arabia

Following are the details of the Company's Branches and Commercial Registration numbers:

<u>Branch</u>	<u>Commercial Registration No.</u>
Riyadh	1010316823
Al Khobar	2051046836

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. M/85 dated 5 Thul Hujja 1429H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429H (corresponding to 1 December 2008). The Company obtained a license to conduct insurance operations in the Kingdom of Saudi Arabia from the Saudi Arabian Monetary Authority ("SAMA") on 20 Rabi-al-Awwal 1431H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 24 Safar 1431H (corresponding to 8 February 2010).

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. The share capital of the Company is Saudi Riyals 200 million divided into 20 million shares of Saudi Riyals 10 each. Further, in compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ("SAMA"), the Company has deposited 10% of its share capital, amounting to Saudi Riyals 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA. The Company cannot withdraw this deposit without SAMA's approval, and commission accruing on this deposit is payable to SAMA.

In accordance with the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to policyholders' operations	10%
	<hr/>
	100%
	<hr/>

In case of deficit arising from the insurance operations, the entire deficit is allocated and transferred to shareholders' operations.

In accordance with Article 70 of SAMA implementing regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 June 2019

1. GENERAL (continued)

b) Portfolio transfer

On 19 May 2012, the Company entered into an agreement with Saudi General Insurance Company E.C. (SGI) and Gulf Cooperation Insurance Company Ltd. E.C. (GCI) (the "Sellers") pursuant to which it acquired the sellers' insurance operations in the Kingdom of Saudi Arabia, effective 1 January 2009, at a goodwill amount of SR 36.26 million, as approved by SAMA, along with related insurance assets and liabilities of an equivalent amount. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval.

2. BASIS OF PREPARATION

a) STATEMENT OF COMPLIANCE

The interim condensed financial statements for the three months and six months period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia, pursuant to SAMA circular dated 17 July 2019.

Until the period ended 31 March 2019, the interim condensed financial statements of the Company were prepared in accordance with the International Accounting Standard - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of Zakat and income tax.

The Company changed its accounting policy for zakat and income tax as mandated by International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The effects of this change are disclosed in note 19 to the interim condensed financial statements.

b) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value. The Company's interim condensed statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, investment in Murabaha deposits, premiums receivable-net, due from reinsurers-net, reinsurers' share of unearned premiums, deferred policy acquisition costs, deferred excess of loss premiums, prepayments and other assets, due to policyholders, reinsurers and brokers, accrued expenses, unearned premiums and reinsurance commission, outstanding claims and claims IBNR, provision for premium deficiency reserve, other technical reserves and accrued Zakat. The following balances would generally be classified as non-current: outstanding claims, claims IBNR, end-of-service indemnities, related parties balances, accrued interest on statutory deposit, investments held at fair value through income statement, available-for-sale investment, goodwill, statutory deposit, property and equipment, and intangible assets.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of account for insurance operations and shareholders' operations and presents the financial statements accordingly. 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 books of account. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

The interim condensed statement of financial position, statements of income and statements of comprehensive income and cash flows of the insurance operations and shareholders operations which are presented on pages 33 to 42 of the financial statements have been provided as supplementary financial information and 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 interim condensed 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.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

2. BASIS OF PREPARATION (continued)

a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

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 unrealized 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.

The inclusion of separate information of the insurance operations with the financial information of the Company in the interim condensed consolidated statement of financial position, the statement of income, statement of comprehensive income, cash flows as well as certain relevant notes to the financial information represents additional supplementary information required as required by the implementing regulations.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2018.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SR) and are rounded off to the nearest thousands.

b) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of interim financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2018.

c) SEASONALITY OF OPERATIONS

There are no seasonal changes that may affect the insurance operations of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, and assumptions 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 31 December 2018, except as explained below:

a) NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY

The Company has adopted the following amendments and revisions to existing standards, where applicable, which were issued by the International Accounting Standards Board (IASB):

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 2	Amendments to IFRS 2 - Classification and measurement of share-based payment transactions
IFRIC 22	Foreign currency transactions and advance consideration
IAS 40	Amendments to IAS 40 - Transfers of investment property
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014-2016 cycle
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 16	Leases (see below)

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ADOPTED BY THE COMPANY (continued)

IFRS 16 – Leases

The Company adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases – Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions in the Legal Form of a Lease’.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the special commission expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. All existing operating leases consist of lease terms which ends within twelve months.

Though there are changes in accounting policies, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 16 on 1 January 2019.

Change in accounting for Zakat and income tax

As mentioned in note 2, the basis of preparation has changed as a result of the issuance of Circular by SAMA, dated 17 July 2019. Previously, Zakat and income tax were recognized in the statement of changes in equity under retained earnings as per the SAMA Circular No. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, Zakat and income tax shall be recognized in the statement of income.

The Company amended its accounting policy relating to zakat and have started to apply International Accounting Standard – Income Taxes (“IAS 12”) and IFRIC 21 – Levies so far as these relate to Zakat. The Company has accounted for this change in the accounting policy relating to zakat retrospectively (see note 2) and the effects of the above change are disclosed in note 19 to the interim condensed financial statements. The change has resulted in reduction of reported income for the period ended 30 June 2018 by SR 2.6 million. The change has had no impact on the statement of cash flows for the period ended 30 June 2018.

Zakat is not accounted for as income tax and as such no Deferred tax is calculated relating to zakat.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) NEW IFRS, IFRIC AND AMENDMENTS THEREOF, ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards, where applicable, when they become effective.

<u>Standard / Amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 9	Financial Instruments (note below)	See note below
IFRS 17	Insurance Contracts	1 January 2021

IFRS 9 – Financial Instruments

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 ("ECL") 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 amortized 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 recognized in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognized earlier than under IAS 39.
- 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.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company has assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As at 30 June 2019, management is in process to assess the effect of the adoption of IFRS 9.

c) FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risk, currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018. There have been no changes in the risk management department or in any risk management policies since the year-end.

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4. CASH AND CASH EQUIVALENTS

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

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
<i>Insurance operations</i>		
Cash in hand	31	30
Cash at banks (see note below)	929	13,597
Murabaha deposits with maturity less than three months	66,000	74,000
	<u>66,960</u>	<u>87,627</u>
<i>Shareholders' operations</i>		
Cash at banks	663	2,760
Murabaha deposits with maturity less than three months	82,000	--
	<u>82,663</u>	<u>2,760</u>
Total of cash and cash equivalents	<u>149,623</u>	<u>90,387</u>

- a) At 30 June 2019, bank balances amounting to SR 0.5 million (31 December 2018: SR 0.5 million), are held in the name of related parties of the Company, on behalf of the Company (note 13).

5. MURABAHA DEPOSITS

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
<i>Insurance operations</i>		
Murabaha deposits	66,000	74,000
Less: Murabaha deposits with maturity less than three months (see note 4)	(66,000)	(74,000)
	<u>--</u>	<u>--</u>
<i>Shareholders' operations</i>		
Murabaha deposits	82,000	82,000
Less: Murabaha deposits with maturity less than three months (see note 4)	(82,000)	--
	<u>--</u>	<u>82,000</u>
Total of Murabaha deposits	<u>--</u>	<u>82,000</u>

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6. PREMIUMS RECEIVABLE, NET

Premiums receivables comprise amounts due from the following:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Policyholders	80,933	66,771
Related parties (note 13)	5,342	4,219
	<u>86,275</u>	<u>70,990</u>
Allowance for impairment of premiums receivables (see note below)	(22,993)	(22,525)
	<u>63,282</u>	<u>48,465</u>

a) Movement in the allowance for impairment of premiums receivables during the period / year was as follows:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Balance at the beginning of the period / year	22,525	20,371
Addition during the period / year	468	2,154
	<u>22,993</u>	<u>22,525</u>

7. INVESTMENTS

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
<i>Shareholders' operations</i>		
Investments held at fair value through income statement (FVIS) (note 7.a)	42,330	37,508
Available-for-sale investment (note 7.b)	1,923	1,923
	<u>44,253</u>	<u>39,431</u>

a) Investments held at fair value through income statement (FVIS)

Movement in investments classified as fair value through income statement (FVIS) is as follows:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Balance at the beginning of the period / year	37,508	33,592
Purchases during the period / year	--	4,217
Disposals during the period / year	(2,670)	(4,965)
Realized gain during the period / year	780	396
Unrealized gain during the period / year	6,712	4,268
	<u>42,330</u>	<u>37,508</u>

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7. INVESTMENTS (continued)

a) Investments held at fair value through income statement (FVIS) (continued)

The investments held at fair value through income statement of Shareholders' Operations comprise of portfolio amounting to SR 42.3 million (31 December 2018: SR 37.5 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia. These investments are denominated in Saudi Arabian Riyal and US Dollars.

All investments held at fair value through income statement are quoted. The portfolio is invested in securities and mutual funds issued by corporates and financial institutions in the Kingdom of Saudi Arabia.

b) Available-for-sale investment

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a non-listed Saudi limited liability Company. The investment is classified as available-for-sale investment and is stated at cost.

8. TECHNICAL RESERVES

8.1. NET OUTSTANDING CLAIMS AND RESERVES

Net outstanding claims and reserves comprise of the following:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Outstanding claims	45,384	68,443
Claims incurred but not reported	35,926	31,248
Provision for premium deficiency reserve	6,485	11,004
Other technical reserves	3,206	3,740
	<u>91,001</u>	<u>114,435</u>
Less:		
Reinsurers' share of outstanding claims	21,474	45,365
Reinsurers' share of claims incurred but not reported	17,860	14,776
	<u>39,334</u>	<u>60,141</u>
Net outstanding claims and reserves	<u><u>51,667</u></u>	<u><u>54,294</u></u>

8.2. MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following:

	<i>Six-months ended 30 June 2019 (Unaudited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance as at the beginning of the period	101,854	(35,607)	66,247
Premiums written during the period	136,440	(52,374)	84,066
Premiums earned during the period	(115,440)	43,224	(72,216)
Balance as at the end of the period	<u><u>122,854</u></u>	<u><u>(44,757)</u></u>	<u><u>78,097</u></u>

	<i>Year ended 31 December 2018 (Audited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance as at the beginning of the year	61,393	(29,925)	31,468
Premiums written during the year	264,675	(117,711)	146,964
Premiums earned during the year	(224,214)	112,029	(112,185)
Balance as at the end of the year	<u><u>101,854</u></u>	<u><u>(35,607)</u></u>	<u><u>66,247</u></u>

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9. GROSS WRITTEN PREMIUMS

<i>For the three-months period ended 30 June 2019 (Unaudited)</i>						
	Corporate			Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000			
Medical	11,370	4,123	2,405	17,898	81	17,979
Motor	4,364	2,529	4,651	11,544	5,607	17,151
Property & accident	2,190	2,542	9,434	14,166	1,779	15,945
Protection & savings	--	--	--	--	--	--
	<u>17,924</u>	<u>9,194</u>	<u>16,490</u>	<u>43,608</u>	<u>7,467</u>	<u>51,075</u>

<i>For the three-months period ended 30 June 2018 (Unaudited)</i>						
	Corporate			Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000			
Medical	3,099	3,847	2,965	9,911	106	10,017
Motor	1,185	551	708	2,444	35,612	38,056
Property & accident	4,930	4,694	14,734	24,358	144	24,502
Protection & savings	--	--	--	--	--	--
	<u>9,214</u>	<u>9,092</u>	<u>18,407</u>	<u>36,713</u>	<u>35,862</u>	<u>72,575</u>

<i>For the six-months period ended 30 June 2019 (Unaudited)</i>						
	Corporate			Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000			
Medical	13,847	4,639	15,575	34,061	84	34,145
Motor	14,043	5,445	10,955	30,443	24,138	54,581
Property & accident	6,065	6,290	32,859	45,214	2,500	47,714
Protection & savings	--	--	--	--	--	--
	<u>33,955</u>	<u>16,374</u>	<u>59,389</u>	<u>109,718</u>	<u>26,722</u>	<u>136,440</u>

<i>For the six-months period ended 30 June 2018 (Unaudited)</i>						
	Corporate			Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000			
Medical	14,035	4,624	16,533	35,192	160	35,352
Motor	9,231	4,292	4,750	18,273	53,453	71,726
Property & accident	8,053	8,658	42,355	59,066	877	59,943
Protection & savings	--	--	--	--	--	--
	<u>31,319</u>	<u>17,574</u>	<u>63,638</u>	<u>112,531</u>	<u>54,490</u>	<u>167,021</u>

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10. COMMITMENTS AND CONTINGENCIES

- a) The Company's commitments and contingencies are as follows:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Letters of guarantee	<u>300</u>	<u>300</u>

- b) Zakat and withholding tax contingencies have been disclosed in note 14.2.
- c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed financial statements. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Determination of fair value and fair value hierarchy

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.

Carrying amounts and fair value

- As at 30 June 2019 and 31 December 2018, all financial instruments which are fair valued are Level 1 instruments amounting to SR 42.3 million (2018: SR 37.5 million).
- As at 30 June 2019, the Company has an investment amounting to SR 1.9 million in unquoted equity security. This investment has not been measured at fair value because of the unavailability of quoted prices of comparable companies and other financial information. However, the management believes that there is no major difference between the carrying values and fair values of this investment.
- All investments are fair valued except for available-for-sale investment which is stated at cost (see note 7.b and above).
- Cash and bank balances and other short-term financial assets are assumed to have fair values that reasonably approximate their corresponding carrying values due to the short-term nature.
- There were no transfers between levels during the three-month and six-month periods ended 30 June 2019 and year ended 31 December 2018. Also, there were no changes in the valuation techniques during the period from the previous periods.

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12. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance. All of the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in six major lines of business.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2018.

Segment assets do not include cash and cash equivalents, investment in Murabaha deposits, premiums receivable, net, due from reinsurers, investments, prepayments and other assets, property and equipment, intangible assets, goodwill, statutory deposit and accrued interest on statutory deposit. Accordingly, they are included in unallocated assets.

Segment liabilities and surplus do not include due to reinsurers and brokers, due to policyholders, accrued expenses and other liabilities, end of service indemnities, surplus distribution payable, accrued Zakat and accrued interest on statutory deposit. Accordingly, they are included in unallocated liabilities.

Segments do not include shareholders assets and liabilities hence these are presented under unallocated assets / liabilities accordingly.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at 30 June 2019 and 31 December 2018, its total revenues, expenses, and net income for the three-month and six-month periods then ended, are as follows:

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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (Unaudited)	<i>Insurance Operations</i>						<i>Shareholders' Operations</i>	<i>Total</i>
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident & liability</i>		
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Assets								
Reinsurers' share of unearned premiums	8,222	11,014	15,225	4,271	1,751	4,274	44,757	44,757
Reinsurers' share of outstanding claims	6,292	2,202	5,051	2,107	2,350	3,472	21,474	21,474
Reinsurers' share of claims incurred but not reported	2,900	2,127	7,171	1,506	2,277	1,879	17,860	17,860
Reinsurers' excess of loss claims	--	3,361	--	--	--	--	3,361	3,361
Deferred policy acquisition costs	1,004	3,369	1,654	367	257	932	7,583	7,583
Unallocated assets	--	--	--	--	--	--	170,860	360,174
Total assets	18,418	22,073	29,101	8,251	6,635	10,557	265,895	455,209
Liabilities								
Unearned premiums	35,238	54,991	16,606	4,760	2,930	8,329	122,854	122,854
Unearned reinsurance commission	--	998	3,286	750	601	1,300	6,935	6,935
Outstanding claims	11,858	16,458	5,690	2,300	2,785	6,293	45,384	45,384
Claims incurred but not reported	7,091	12,030	7,968	1,712	3,449	3,676	35,926	35,926
Provision for premium deficiency reserve	1,350	4,451	684	--	--	--	6,485	6,485
Other technical reserves	70	1,490	1,042	374	70	160	3,206	3,206
Unallocated liabilities	--	--	--	--	--	--	57,656	69,937
Total liabilities	55,607	90,418	35,276	9,896	9,835	19,758	278,446	290,727

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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2018 (Audited)

	<i>Insurance Operations</i>							<i>Shareholders'</i>	
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total Insurance</i>	<i>Operations</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Assets</i>									
Reinsurers' share of unearned premiums	5,971	10,231	9,608	3,535	3,133	3,129	35,607	--	35,607
Reinsurers' share of outstanding claims	11,470	1,590	22,010	2,945	4,120	3,230	45,365	--	45,365
Reinsurers' share of claims incurred but not reported	2,318	2,342	6,714	1,100	1,225	1,077	14,776	--	14,776
Reinsurers' excess of loss claims	--	1,978	1,666	--	--	--	3,644	--	3,644
Deferred policy acquisition costs	445	3,036	1,120	412	510	701	6,224	--	6,224
Unallocated assets	--	--	--	--	--	--	169,706	181,983	351,689
Total assets	20,204	19,177	41,118	7,992	8,988	8,137	275,322	181,983	457,305
<i>Liabilities</i>									
Unearned premiums	11,175	65,427	10,427	3,941	4,435	6,449	101,854	--	101,854
Unearned reinsurance commission	-	973	2,027	834	1,201	843	5,878	--	5,878
Outstanding claims	14,265	12,873	25,936	3,172	5,656	6,541	68,443	--	68,443
Claims incurred but not reported	4,129	14,193	7,463	1,269	1,946	2,248	31,248	--	31,248
Provision for premium deficiency reserve	884	8,163	1,091	375	--	491	11,004	--	11,004
Other technical reserves	--	1,470	1,599	362	143	166	3,740	--	3,740
Unallocated liabilities	--	--	--	--	--	--	60,926	15,085	76,011
Total liabilities	30,453	103,099	48,543	9,953	13,381	16,738	283,093	15,085	298,178

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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the three-months period ended 30 June 2019 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	17,979	17,151	8,275	662	2,824	4,184	51,075
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(338)	(94)	(126)	(54)	(612)
- Foreign reinsurance	162	(3,615)	(7,459)	(497)	(1,651)	(1,948)	(15,008)
Excess of loss expenses	(558)	(1,320)	(1,300)	--	(48)	--	(3,226)
Net written premiums	17,583	12,216	(822)	71	999	2,182	32,229
Movement in net unearned premiums	(11,174)	13,117	97	(63)	699	820	3,496
Net premiums earned	6,409	25,333	(725)	8	1,698	3,002	35,725
Reinsurance commissions	--	562	1,660	374	1,466	554	4,616
Other underwriting income	3	6	2	1	6	4	22
TOTAL REVENUES	6,412	25,901	937	383	3,170	3,560	40,363
Gross claims paid	11,077	24,072	1,780	1,133	1,315	950	40,327
Expenses incurred related to claims	762	2,730	--	--	--	--	3,492
Less: Reinsurers' share of claims paid	(8,304)	(4,166)	(1,480)	(1,067)	(803)	(673)	(16,493)
Net claims and other benefits paid	3,535	22,636	300	66	512	277	27,326
Changes in net outstanding claims, net	1,918	386	(781)	(69)	(975)	(889)	(410)
Changes in IBNR, net	1,646	(2,317)	(30)	13	384	423	119
Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve	7,099	20,705	(511)	10	(79)	(189)	27,035
Other technical reserves	(730)	(3,393)	302	(426)	--	(1,688)	(5,935)
Policy acquisition costs	70	(81)	(321)	(80)	(78)	(52)	(542)
	186	1,114	513	164	243	388	2,608
TOTAL UNDERWRITING COSTS AND EXPENSES	6,625	18,345	(17)	(332)	86	(1,541)	23,166
NET UNDERWRITING (LOSS) / INCOME	(213)	7,556	954	715	3,084	5,101	17,197

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-months period ended 30 June 2019 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
NET UNDERWRITING (LOSS) / INCOME	(213)	7,556	954	715	3,084	5,101	17,197
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							(1,793)
General and administration expenses							(15,282)
Commission income on deposits							970
Realized gain on investments							780
Unrealized gain on investments							599
Other income							2,126
TOTAL OTHER OPERATING EXPENSES							(12,600)
Income for the period							4,597
Total income attributed to insurance operations							(307)
Net income for the period attributable to the shareholders, before zakat							4,290
Provision for Zakat							(865)
Net income for the period							3,425

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

12. OPERATING SEGMENTS (continued)

	<i>For the three-month period ended 30 June 2018 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	10,017	38,056	6,555	3,081	4,378	10,488	72,575
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(134)	(216)	(134)	(27)	(511)
- Foreign reinsurance	(5,353)	(6,720)	(5,803)	(2,570)	(2,936)	(2,322)	(25,704)
Excess of loss expenses	--	(861)	(919)	--	(22)	--	(1,802)
Net written premiums	4,664	30,475	(301)	295	1,286	8,139	44,558
Changes in unearned premiums, net	(555)	(19,455)	101	(41)	814	570	(18,566)
Net premiums earned	4,109	11,020	(200)	254	2,100	8,709	25,992
Reinsurance commissions	--	330	1,640	663	1,422	558	4,613
Other underwriting income	6	1,010	3	1	8	4	1,032
TOTAL REVENUES	4,115	12,360	1,443	918	3,530	9,271	31,637
Gross claims paid	6,238	13,807	880	2,754	371	620	24,670
Expenses incurred related to claims	500	855	--	--	--	--	1,355
Less: Reinsurers' share of claims paid	(5,070)	(2,082)	(784)	(2,361)	(105)	(311)	(10,713)
Net claims and other benefits paid	1,668	12,580	96	393	266	309	15,312
Changes in outstanding claims, net	(101)	(1,495)	744	(317)	146	58	(965)
Changes in IBNR, net	(118)	1,267	(78)	(6)	16	(186)	895
Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve	1,449	12,352	762	70	428	181	15,242
Other technical reserves	(201)	1,175	341	(704)	(74)	--	537
Policy acquisition costs	--	77	29	(938)	1	(2)	(833)
	228	898	731	253	672	452	3,234
TOTAL UNDERWRITING COSTS AND EXPENSES	1,476	14,502	1,863	(1,319)	1,027	631	18,180
NET UNDERWRITING INCOME / (LOSS)	2,639	(2,142)	(420)	2,237	2,503	8,640	13,457

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-month period ended 30 June 2018 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
NET UNDERWRITING INCOME / (LOSS)	2,639	(2,142)	(420)	2,237	2,503	8,640	13,457
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							
General and administration expenses							(3,678)
Commission income on deposits							(16,080)
Unrealized gain on investments							855
Other income							2,539
							2,098
TOTAL OTHER OPERATING EXPENSES							(14,266)
Loss for the period							(809)
Total income attributed to insurance operations							--
Net loss for the period attributable to the shareholders, before Zakat							(809)
Provision for Zakat							(1,469)
Net loss for the period							(2,278)

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the six-months period ended 30 June 2019 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	34,145	54,581	22,108	3,075	8,895	13,636	136,440
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(1,142)	(175)	(435)	(181)	(1,933)
- Foreign reinsurance	(16)	(11,443)	(19,154)	(2,600)	(5,535)	(5,251)	(43,999)
Excess of loss expenses	(1,116)	(2,640)	(2,590)	--	(96)	--	(6,442)
Net written premiums	33,013	40,498	(778)	300	2,829	8,204	84,066
Movement in net unearned premiums	(21,812)	11,221	(560)	(83)	122	(735)	(11,847)
Net premiums earned	11,201	51,719	(1,338)	217	2,951	7,469	72,219
Reinsurance commissions	--	3,638	3,189	816	2,601	1,086	11,330
Other underwriting income	4	15	5	3	14	11	52
TOTAL REVENUES	11,205	55,372	1,856	1,036	5,566	8,566	83,601
Gross claims paid	23,420	49,507	14,459	1,120	2,309	1,396	92,211
Expenses incurred related to claims	1,553	3,629	--	--	--	--	5,182
Less: Reinsurers' share of claims paid	(18,052)	(8,257)	(12,935)	(1,062)	(1,375)	(983)	(42,664)
Net claims and other benefits paid	6,921	44,879	1,524	58	934	413	54,729
Changes in net outstanding claims, net	2,770	1,591	(1,621)	(34)	(1,100)	(489)	1,117
Changes in IBNR, net	2,381	(1,946)	48	37	452	624	1,596
Net claims and other benefits incurred	12,072	44,524	(49)	61	286	548	57,442
Provision / (reversal) for premium deficiency reserve	467	(3,714)	(406)	(376)	--	(490)	(4,519)
Other technical reserves	70	19	(557)	13	(74)	(6)	(535)
Policy acquisition costs	481	2,854	1,305	381	734	836	6,591
TOTAL UNDERWRITING COSTS AND EXPENSES	13,090	43,683	293	79	946	888	58,979
NET UNDERWRITING (LOSS) / INCOME	(1,885)	11,689	1,563	957	4,620	7,678	24,622

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the six-months period ended 30 June 2019 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
NET UNDERWRITING (LOSS) / INCOME	(1,885)	11,689	1,563	957	4,620	7,678	24,622
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							
General and administration expenses							(1,148)
Commission income on deposits							(30,082)
Realized gain on investments							2,066
Unrealized gain on investments							780
Other income							6,712
TOTAL OTHER OPERATING EXPENSES							4,289
Income for the period							(17,383)
Total income attributed to insurance operations							7,239
Net income for the period attributable to the shareholders, before Zakat							(19)
Provision for Zakat							7,220
Net income for the period							(1,865)
							5,355

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the six-months period ended 30 June 2018 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	35,352	71,726	21,422	6,405	10,370	21,746	167,021
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(8,156)	(1,103)	(325)	(1,352)	(10,936)
- Foreign reinsurance	(22,068)	(12,451)	(11,568)	(4,635)	(6,615)	(4,303)	(61,640)
Excess of loss expenses	--	(1,488)	(1,482)	--	(61)	--	(3,031)
Net written premiums	13,284	57,787	216	667	3,369	16,091	91,414
Changes in unearned premiums, net	(5,705)	(37,354)	(160)	(148)	278	(1,053)	(44,142)
Net premiums earned	7,579	20,433	56	519	3,647	15,038	47,272
Reinsurance commissions	--	597	3,279	1,234	2,593	1,089	8,792
Other underwriting income	7	1,488	6	3	15	11	1,530
TOTAL REVENUES	7,586	22,518	3,341	1,756	6,255	16,138	57,594
Gross claims paid	12,095	28,876	16,063	6,265	760	1,248	65,307
Expenses incurred related to claims	1,597	1,178	--	--	--	--	2,775
Less: Reinsurers' share of claims paid	(9,587)	(4,463)	(15,201)	(5,697)	(323)	(747)	(36,018)
Net claims and other benefits paid	4,105	25,591	862	568	437	501	32,064
Changes in outstanding claims, net	269	(4,304)	78	(60)	459	369	(3,189)
Changes in IBNR, net	200	1,576	(832)	52	(13)	(225)	758
Net claims and other benefits incurred	4,574	22,863	108	560	883	645	29,633
Provision / (reversal) for premium deficiency reserve	90	1,175	(1,452)	(692)	--	--	(879)
Other technical reserves	--	443	(84)	(513)	--	(5)	(159)
Policy acquisition costs	415	2,138	1,490	522	1,217	887	6,669
TOTAL UNDERWRITING COSTS AND EXPENSES	5,079	26,619	62	(123)	2,100	1,527	35,264
NET UNDERWRITING INCOME / (LOSS)	2,507	(4,101)	3,279	1,879	4,155	14,611	22,330

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the six-months period ended 30 June 2018 (Unaudited)</i>						
	<i>Medical</i> SR '000	<i>Motor</i> SR '000	<i>Property</i> SR '000	<i>Engineering</i> SR '000	<i>Marine</i> SR '000	<i>Accident & liability</i> SR '000	<i>Total</i> SR '000
NET UNDERWRITING INCOME / (LOSS)	2,507	(4,101)	3,279	1,879	4,155	14,611	22,330
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							
General and administration expenses							(3,445)
Commission income on deposits							(29,676)
Unrealized gain on investments							1,524
Other income							5,312
							3,182
TOTAL OTHER OPERATING EXPENSES							(23,103)
Loss for the period							(773)
Total income attributed to insurance operations							--
Net loss for the period attributable to the shareholders, before Zakat							(773)
Provision for Zakat							(2,663)
Net loss for the period							(3,436)

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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13. TRANSACTIONS WITH RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company, and Companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. The following are the details of the major related party transactions during the period and the related balances:

Related party	Relationship	Nature of transactions	Transactions for the three-month and six-month periods ended				Balance receivable / (payable) as at	
			Three-months period ended 30 June 2019 (Unaudited) SR'000	Three-months period ended 30 June 2018 (Unaudited) SR'000	Six-months period ended 30 June 2019 (Unaudited) SR'000	Six-months period ended 30 June 2018 (Unaudited) SR'000	30 June 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Insurance operations								
Gulf Cooperation Insurance Company Ltd. E.C.	Shareholder	General and administrative expenses directly paid on behalf and recharged to the Company	--	--	--	--	1,088	1,088
Saudi General Insurance Company Ltd. E.C.	Shareholder	General and administrative expenses directly paid on behalf and recharged to the Company	--	--	--	--	--	--
Rolaco Group	Related to shareholders	Premiums underwritten (note 6)	38	45	657	--	(309)	(309)
		Claims paid	2	--	(2)	646	12	10
Dabbagh Group	Related to shareholders	Premiums underwritten (note 6)	867	3,468	4,803	(11)	(4)	(4)
		Claims paid	(560)	(734)	(1,343)	7,257	3,899	2,574
Farouk, Maamoun Tamer & Company	Shareholder	Premiums underwritten (note 6)	1,081	685	7,478	(1,300)	(621)	(712)
		Claims paid	(634)	(162)	(955)	8,194	1,431	1,635
Key Management Personnel		Short-term benefits	(738)	(664)	(1,456)	(570)	(411)	(3,013)
		Long-term benefits	(36)	(33)	(91)	(1,162)	--	--
Shareholders' operations								
Board of Directors		Board of Directors remuneration and related expenses	(475)	(385)	(91)	(59)	(475)	(385)
			450	450	900	900	(900)	(1,800)

a) Note 4.a refers to bank balances that are held in the name of related parties of the Group.

a) Note 4.a refers to bank balances that are held in the name of related parties of the Company, on behalf of the Company.

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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14. ZAKAT

14.1. Zakat Payable

The Zakat payable by the Company has been calculated based on the best estimates of the management.

Movements in the Zakat accrued during the six-months period ended 30 June 2019 and the year ended 31 December 2018 are as follows:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Balance at the beginning of the period / year	11,500	13,032
Charge for the period / year	1,865	3,886
Charge relating to prior periods / years	--	5,538
Paid during the period / year	(3,847)	(10,956)
Balance at the end of the period / year	<u>9,518</u>	<u>11,500</u>

14.2. Status of assessments

- The Company has filed its Zakat returns for its first period from 3 January 2010 to 31 December 2011 and a revised return for the period from 3 January 2010 to 31 December 2011 with the General Authority of Zakat and Tax ("GAZT") and obtained unrestricted Zakat certificates.
- The Company has filed its Zakat returns for the years 2012 and 2013 and obtained unrestricted Zakat certificates. The GAZT issued final Zakat assessment for the period/years from 31 December, 2011 to 2013 claimed additional Zakat liability and withholding tax difference of SR 6.2 million and SR 11 million, respectively and delay fine charges. The Company settled Zakat differences of SR 0.2 million and withholding tax of SR 0.017 million in addition to delay fine charges and objected against the remaining GAZT items.
The GAZT issued a revised assessment claiming additional Zakat and withholding tax differences of SR 5.9 million and SR 11 million in addition to delay fine charges of SR. 9.5 million. The Company objected against the revised assessment in Preliminary Objection Committee (POC). The Company received the revised assessment from POC, in which, the Zakat liability was reduced to SR 2.9 million while other assessments remained the same. Subsequent to year-end, the Company has filed an appeal against the POC's decision in Higher Appeals Committee, providing a bank guarantee of SR 12.5 million and settled the withholding tax difference of SR 11 million. The management is confident of a favorable outcome of the appeals under review by the GAZT.
- The GAZT issued assessments for the years 2014 and 2015, claiming additional Zakat and withholding tax differences amounting to SR 6.9 million and 3.96 million, respectively during 2018. The Company is in the process of appealing certain items in the Zakat assessment amounting to SR 1.6 million and settled Zakat and withholding tax differences amounting to SR 5.5 million and SR 3.96 million, respectively.
- The Company has filed its Zakat return for the years 2016 to 2018 and obtained the necessary Zakat certificates. The Company's returns are still under study by the GAZT.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

15. SHARE CAPITAL

The share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2018: 20 million shares of SR 10 each). The shareholding structure of the Company is as below. The shareholders of the Company are subject to Zakat tax:

	<i>30 June 2019 (Unaudited)</i>		<i>31 December 2018 (Audited)</i>	
	<i>Percentage of holding</i>	<i>Amount SR '000</i>	<i>Percentage of holding</i>	<i>Amount SR '000</i>
Founding shareholders	37.9%	75,800	37.9%	75,800
General public	62.1%	124,200	62.1%	124,200
	100%	200,000	100%	200,000

On 24 Shaban 1440H, corresponding to 29 April 2019, the Board of Directors have recommended an increase in the Company's capital through offering a rights issue with a total value of SR 300 million. During the period ended 30 June 2019, the Company has received approval from Saudi Arabian Monetary Authority ("SAMA") and are in the process of finalizing the remaining regulatory and legal formalities underlying such increase.

16. CAPITAL MANAGEMENT

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

Capital requirements are set and regulated by SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising of paid-up capital, statutory reserve, and retained earnings.

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.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

The following information summarizes the minimum regulatory capital of the Company:

	<i>30 June 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Available capital	93,204	101,381
Minimum regulatory capital	(100,000)	(100,000)
Surplus capital	(6,796)	1,381

17. EARNINGS / (LOSS) PER SHARE

The basic earnings / (loss) per share have been calculated by dividing the net income / (loss) for the period by the weighted average number of ordinary shares issued and outstanding at the period end.

Diluted earnings / (loss) earnings per share is not applicable to the Company.

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18. SUPPLEMENTARY INFORMATION

Interim Condensed Statement of Financial Position

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations SR '000	Shareholders ' operations SR '000	Total SR '000	Insurance operations SR '000	Shareholders ' operations SR '000	Total SR '000
ASSETS						
Cash and cash equivalents	66,960	82,663	149,623	87,627	2,760	90,387
Murabaha deposits	--	--	--	--	82,000	82,000
Premiums receivable, net	63,282	--	63,282	48,465	--	48,465
Due from reinsurers, net	19,485	--	19,485	16,857	--	16,857
Reinsurers' share of unearned premiums	44,757	--	44,757	35,607	--	35,607
Reinsurers' share of outstanding claims	21,474	--	21,474	45,365	--	45,365
Reinsurers' share of claims incurred but not reported	17,860	--	17,860	14,776	--	14,776
Deferred excess of loss claims	3,361	--	3,361	3,644	--	3,644
Deferred policy acquisition costs	7,583	--	7,583	6,224	--	6,224
Investments	--	44,253	44,253	--	39,431	39,431
Due to insurance operations	--	(12,551)	(12,551)	--	(7,771)	(7,771)
Prepayments and other assets	14,287	4,514	18,801	10,471	185	10,656
Property and equipment	4,428	--	4,428	4,160	--	4,160
Intangible assets	2,418	--	2,418	2,126	--	2,126
Goodwill	--	36,260	36,260	--	36,260	36,260
Statutory deposit	--	20,000	20,000	--	20,000	20,000
Accrued return on statutory deposit	--	1,624	1,624	--	1,347	1,347
TOTAL OPERATIONS ASSETS	265,895	176,763	442,658	275,322	174,212	449,534
Less: Inter-operations eliminations	--	12,551	12,551	--	7,771	7,771
TOTAL ASSETS	265,895	189,314	455,209	275,322	181,983	457,305

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)
Interim Condensed Statement of Financial Position (continued)

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
LIABILITIES						
Due to policyholders	8,428	--	8,428	7,926	--	7,926
Accrued expenses and other liabilities	3,630	1,139	4,769	6,669	2,238	8,907
Due to reinsurers	8,870	--	8,870	11,323	--	11,323
Due to brokers	19,983	--	19,983	18,176	--	18,176
Unearned premiums	122,854	--	122,854	101,854	--	101,854
Unearned reinsurance commission	6,935	--	6,935	5,878	--	5,878
Outstanding claims	45,384	--	45,384	68,443	--	68,443
Claims incurred but not reported	35,926	--	35,926	31,248	--	31,248
Premium deficiency reserve	6,485	--	6,485	11,004	--	11,004
Other technical reserves	3,206	--	3,206	3,740	--	3,740
Due from shareholders' operations	(12,551)	--	(12,551)	(7,771)	--	(7,771)
End of service indemnities	7,024	--	7,024	7,130	--	7,130
Surplus distribution payable	9,097	--	9,097	9,078	--	9,078
Accrued Zakat	--	9,518	9,518	--	11,500	11,500
Accrued return on statutory deposit	--	1,624	1,624	--	1,347	1,347
TOTAL OPERATIONS LIABILITIES	265,271	12,281	277,552	274,698	15,085	289,783
Less: Inter-operations eliminations	12,551	--	12,551	7,771	--	7,771
TOTAL LIABILITIES	277,822	12,281	290,103	282,469	15,085	297,554
SHAREHOLDERS' EQUITY						
Share capital	--	200,000	200,000	--	200,000	200,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(37,683)	(37,683)	--	(43,038)	(43,038)
TOTAL SHAREHOLDERS' EQUITY	--	164,482	164,482	--	159,127	159,127
Re-measurement reserve of defined benefit obligations	624	--	624	624	--	624
TOTAL EQUITY	624	164,482	165,106	624	159,127	159,751
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	278,446	176,763	455,209	283,093	174,212	457,305

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the three-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance operations	Shareholders ' operations	Total	Insurance operations	Shareholders ' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES						
Gross written premiums	51,075	--	51,075	72,575	--	72,575
Less: Reinsurance contracts premiums ceded						
- Local reinsurance	(612)	--	(612)	(511)	--	(511)
- Foreign reinsurance	(15,008)	--	(15,008)	(25,704)	--	(25,704)
Excess of loss expenses	(3,226)	--	(3,226)	(1,802)	--	(1,802)
Net written premiums	32,229	--	32,229	44,558	--	44,558
Movement in net unearned premiums	3,496	--	3,496	(18,566)	--	(18,566)
Net premiums earned	35,725	--	35,725	25,992	--	25,992
Reinsurance commissions	4,616	--	4,616	4,613	--	4,613
Other underwriting income	22	--	22	1,032	--	1,032
TOTAL REVENUES	40,363	--	40,363	31,637	--	31,637
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	40,327	--	40,327	24,670	--	24,670
Expenses incurred related to claims	3,492	--	3,492	1,355	--	1,355
Less: Reinsurers' share of claims paid	(16,493)	--	(16,493)	(10,713)	--	(10,713)
Net claims and other benefits paid	27,326	--	27,326	15,312	--	15,312
Change in net outstanding claims, net	(410)	--	(410)	(965)	--	(965)
Changes in IBNR, net	119	--	119	895	--	895
Net claims and other benefits incurred	27,035	--	27,035	15,242	--	15,242
(Reversal) / provision for premium deficiency reserve	(5,935)	--	(5,935)	537	--	537
Other technical reserves	(542)	--	(542)	(833)	--	(833)
Policy acquisition costs	2,608	--	2,608	3,234	--	3,234
TOTAL UNDERWRITING COSTS AND EXPENSES	23,166	--	23,166	18,180	--	18,180
NET UNDERWRITING INCOME	17,197	--	17,197	13,457	--	13,457

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the three-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
OTHER OPERATING INCOME / (EXPENSES)						
Allowance for impairment of doubtful debts	(1,793)		(1,793)	(3,678)	--	(3,678)
General and administration expenses	(14,521)	(761)	(15,282)	(15,277)	(803)	(16,080)
Commission income on deposits	445	525	970	388	467	855
Realized gain on investments	--	780	780	--	--	--
Unrealized gain on investments	--	599	599	--	2,539	2,539
Other income	1,740	386	2,126	1,165	933	2,098
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(14,129)	1,529	(12,600)	(17,402)	3,136	(14,266)
NET SURPLUS / (DEFICIT) FROM INSURANCE / SHAREHOLDERS' OPERATIONS	3,068	1,529	4,597	(3,945)	3,136	(809)
SURPLUS / (DEFICIT) TRANSFERRED TO SHAREHOLDERS (note 1.a)	(2,761)	2,761	--	3,945	(3,945)	--
NET INCOME / (LOSS) FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS BEFORE ZAKAT	307	4,290	4,597	--	(809)	(809)
PROVISION FOR ZAKAT	--	(865)	(865)	--	(1,469)	(1,469)
NET INCOME / (LOSS) FOR THE PERIOD	307	3,425	3,732	--	(2,278)	(2,278)
EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)		0.17			(0.11)	

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the six-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES						
Gross written premiums	136,440	--	136,440	167,021	--	167,021
Less: Reinsurance contracts premiums ceded						
- Local reinsurance	(1,933)	--	(1,933)	(10,936)	--	(10,936)
- Foreign reinsurance	(43,999)	--	(43,999)	(61,640)	--	(61,640)
Excess of loss expenses	(6,442)	--	(6,442)	(3,031)	--	(3,031)
Net written premiums	84,066	--	84,066	91,414	--	91,414
Movement in net unearned premiums	(11,847)	--	(11,847)	(44,142)	--	(44,142)
Net premiums earned	72,219	--	72,219	47,272	--	47,272
Commission earned on ceded reinsurance	11,330	--	11,330	8,792	--	8,792
Other underwriting income	52	--	52	1,530	--	1,530
TOTAL REVENUES	83,601	--	83,601	57,594	--	57,594
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	92,211	--	92,211	65,307	--	65,307
Expenses incurred related to claims	5,182	--	5,182	2,775	--	2,775
Less: Reinsurers' share of claims paid	(42,664)	--	(42,664)	(36,018)	--	(36,018)
Net claims and other benefits paid	54,729	--	54,729	32,064	--	32,064
Change in net outstanding claims, net	1,117	--	1,117	(3,189)	--	(3,189)
Changes in IBNR, net	1,596	--	1,596	758	--	758
Net claims and other benefits incurred	57,442	--	57,442	29,633	--	29,633
Reversal for premium deficiency reserve	(4,519)	--	(4,519)	(879)	--	(879)
Other technical reserves	(535)	--	(535)	(159)	--	(159)
Policy acquisition costs	6,591	--	6,591	6,669	--	6,669
TOTAL UNDERWRITING COSTS AND EXPENSES	58,979	--	58,979	35,264	--	35,264
NET UNDERWRITING INCOME	24,622	--	24,622	22,330	--	22,330

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the six-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000	Insurance operations SR'000	Shareholders' operations SR'000	Total SR'000
OTHER OPERATING INCOME / (EXPENSES)						
Allowance for impairment of doubtful debts	(1,148)	--	(1,148)	(3,445)	--	(3,445)
General and administration expenses	(28,135)	(1,947)	(30,082)	(27,958)	(1,718)	(29,676)
Commission income on deposits	953	1,113	2,066	638	886	1,524
Realized gain on investments	--	780	780	--	--	--
Unrealized gain on investments	--	6,712	6,712	--	5,312	5,312
Other income	3,903	386	4,289	2,247	935	3,182
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(24,427)	7,044	(17,383)	(28,518)	5,415	(23,103)
NET SURPLUS / (DEFICIT) FROM INSURANCE / SHAREHOLDERS' OPERATIONS	195	7,044	7,239	(6,188)	5,415	(773)
SURPLUS / (DEFICIT) TRANSFERRED TO SHAREHOLDERS (note 1.a)	(176)	176	--	6,188	(6,188)	--
NET INCOME / (LOSS) FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS BEFORE ZAKAT	19	7,220	7,239	--	(773)	(773)
PROVISION FOR ZAKAT	--	(1,865)	(1,865)	--	(2,663)	(2,663)
NET INCOME / (LOSS) FOR THE PERIOD	19	5,355	5,374	--	(3,436)	(3,436)
EARNINGS / (LOSS) PER SHARE (Expressed in SR per share)		0.27			(0.17)	

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the three-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance	Shareholders	Total	Insurance	Shareholders	Total
	operations	' operations		operations	' operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
NET INCOME / (LOSS) FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS	307	3,425	3,732	--	(2,278)	(2,278)
<i>Items that will not be reclassified to the interim condensed statement of income in subsequent periods</i>						
Other comprehensive income / (loss)	--	--	--	--	--	--
<i>Items that are or may be reclassified to the interim condensed statement of income in subsequent periods</i>						
Other comprehensive income / (loss)	--	--	--	--	--	--
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	307	3,425	3,732	--	(2,278)	(2,278)
Less: Net income attributable to insurance operations			(307)			--
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			3,425			(2,278)

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the six-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance	Shareholders	Total	Insurance	Shareholders	Total
	operations	' operations		operations	' operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
NET INCOME / (LOSS) FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS	19	5,355	5,374	--	(3,436)	(3,436)
<i>Items that will not be reclassified to the interim condensed statement of income in subsequent periods</i>						
Other comprehensive income / (loss)	--	--	--	--	--	--
<i>Items that are or may be reclassified to the interim condensed statement of income in subsequent periods</i>						
Other comprehensive income / (loss)	--	--	--	--	--	--
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	19	5,355	5,374	--	(3,436)	(3,436)
Less: Net income attributable to insurance operations			(19)			--
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			5,355			(3,436)

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows

For the six-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income / (loss) for the period before Zakat	19	7,220	7,239	--	(773)	(773)
Adjustments for non-cash items:						
Depreciation	751	--	751	791	--	791
Amortization	424	--	424	105	--	105
Allowance for impairment of premiums receivable	468	--	468	3,531	--	3,531
Allowance / (reversal) for impairment of reinsurance receivables	680	--	680	(86)	--	(86)
Realized gain on investments held at FVIS	--	(780)	(780)	--	--	--
Unrealized gain on investments held at FVIS	--	(6,712)	(6,712)	--	(5,312)	(5,312)
Operating income / (loss) before changes in operating assets and liabilities	2,342	(272)	2,070	4,341	(6,085)	(1,744)
Changes in operating assets and liabilities:						
Premiums receivable, net	(15,285)	--	(15,285)	(26,831)	--	(26,831)
Due from reinsurers	(3,308)	--	(3,308)	9,398	--	9,398
Reinsurers' share of unearned premiums	(9,150)	--	(9,150)	(24,660)	--	(24,660)
Reinsurer's share of outstanding claims	23,891	--	23,891	4,421	--	4,421
Reinsurer's share of claims incurred but not reported	(3,084)	--	(3,084)	5,970	--	5,970
Deferred excess of loss claims	283	--	283	787	--	787
Deferred policy acquisition costs	(1,359)	--	(1,359)	(1,932)	--	(1,932)
Prepayments and other assets	(3,816)	(4,329)	(8,145)	(1,005)	4,303	3,298
Due from shareholders' operations, net	(4,780)	4,780	--	(17,324)	17,324	--
Due to policyholders	502	--	502	(2,119)	--	(2,119)
Accrued expenses and other liabilities	(3,039)	(1,099)	(4,138)	(9,275)	(995)	(10,270)
Due to reinsurers	(2,453)	--	(2,453)	15,380	--	15,380
Due to brokers	1,807	--	1,807	2,541	--	2,541
Unearned premiums	21,000	--	21,000	68,802	--	68,802
Unearned reinsurance commission	1,057	--	1,057	2,343	--	2,343
Outstanding claims	(23,059)	--	(23,059)	(8,397)	--	(8,397)
Claims incurred but not reported	4,678	--	4,678	(5,212)	--	(5,212)

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 30 June 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows (continued)

For the six-months period ended

	30 June 2019 (Unaudited)			30 June 2018 (Unaudited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
Changes in operating assets and liabilities: (continued)						
Premium deficiency reserve	(4,519)	--	(4,519)	(879)	--	(879)
Other technical reserves	(534)	--	(534)	(159)	--	(159)
Employees' end of service benefits, net	(106)	--	(106)	(164)	--	(164)
	(21,274)	(648)	(21,922)	11,685	20,632	32,317
Zakat paid	--	(3,847)	(3,847)	--	(5,419)	(5,419)
Surplus paid to policyholders	--	--	--	(1,053)	--	(1,053)
Net cash (used in) / generated from operating activities	(18,932)	(4,767)	(23,699)	14,973	9,128	24,101
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	(1,019)	--	(1,019)	(818)	--	(818)
Purchase of intangible assets	(716)	--	(716)	(495)	--	(495)
Purchase of investments	--	--	--	--	(4,217)	(4,217)
Disposal of investments	--	2,670	2,670	--	3,797	3,797
Maturity of murabaha deposits	--	82,000	82,000	--	--	--
Net cash (used in) / generated from investing activities	(1,735)	84,670	82,935	(1,313)	(420)	(1,733)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(20,667)	79,903	59,236	13,660	8,708	22,368
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	87,627	2,760	90,387	109,278	1,490	110,768
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	66,960	82,663	149,623	122,938	10,198	133,136

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 June 2019

19. COMPARATIVE FIGURES

a) **Zakat:**

As mentioned under note 2, the basis of preparation has changed as a result of the issuance on the new Circular by SAMA. The change in the accounting treatment for Zakat (as explained in note 3) has the following impact on the line items of the statements of income, comprehensive income and changes in shareholders' equity:

As at and for the three-month period ended 30 June 2018:

<i>Account</i>	<i>Financial statement impacted</i>	<i>Balance previously reported SR'000</i>	<i>Effect of restatement SR'000</i>	<i>Balance restated SR'000</i>
Zakat	Interim condensed statement of income	--	(1,469)	(1,469)
Net loss for the period	Interim condensed statement of income	(809)	(1,469)	(2,278)
Loss per share for the period	Interim condensed statement of income	(0.04)	(0.07)	(0.11)
Zakat	Interim condensed statement of changes in shareholders' equity	(1,469)	1,469	--
Total comprehensive loss for the year	Interim condensed statements of comprehensive income and changes in shareholders' equity	(809)	(1,469)	(2,278)

As at and for the six-month period ended 30 June 2018:

<i>Account</i>	<i>Financial statement impacted</i>	<i>Balance previously reported SR'000</i>	<i>Effect of restatement SR'000</i>	<i>Balance restated SR'000</i>
Zakat	Interim condensed statement of income	--	(2,663)	(2,663)
Net loss for the period	Interim condensed statement of income	(773)	(2,663)	(3,436)
Loss per share for the period	Interim condensed statement of income	(0.04)	(0.13)	(0.17)
Zakat	Interim condensed statement of changes in shareholders' equity	(2,663)	2,663	--
Total comprehensive loss for the year	Interim condensed statements of comprehensive income and changes in shareholders' equity	(773)	(2,663)	(3,436)

GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 June 2019

19. COMPARATIVE FIGURES (continued)

- b) The Company has made adjustments in prior financial periods in relation to erroneous recording of SAMA regulatory fees from 2010 to 2017. As a consequence, reported net income was overstated resulting in overstatement of retained earnings in prior years. The error has been corrected by the Company during the previous financial year by restating prior periods reported accumulated losses as follows:

1 January 2018
SR'000

Accumulated losses as per audited financial statements	(3,245)
Prior periods adjustment from 2010 to 2016	(1,445)
Prior period adjustment relating to 2017	(125)
	<hr/>
Accumulated losses as per restated financial statements	<u>(4,815)</u>

- c) Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on 1 August 2019 (corresponding to 30 Dhul Qa'da 1440H).