

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2018**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2018**

INDEX	PAGE
Independent Auditors' Limited Review Report	
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3 - 4
Interim Condensed Statement of Comprehensive Income	5
Interim Condensed Statement of Changes in Shareholders' Equity	6
Interim Condensed Statement of Cash Flows	7 - 8
Notes to the Interim Condensed Financial Statements	9 – 44

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

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 September 2018, and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and related notes from 1 to 19 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" as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting for zakat and tax. 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 September 2018, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting for zakat and tax.

for El Sayed El Ayouty & Co.

Mohamed El Sayed El Ayouty
Certified Public Accountant
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for Ahmed Tayseer Ibrahim & Co.

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Jeddah, Kingdom of Saudi Arabia
30 Safar 1440H
8 November 2018

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 (Unaudited)	31 December 2017 (Audited) Restated
	<i>Notes</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS			
Cash and cash equivalents	4	120,087	110,768
Investment in Murabaha deposits	5	83,000	83,000
Premiums receivable, net	6	58,360	41,977
Due from reinsurers, net		13,365	20,804
Reinsurers' share of unearned premiums	8.2	45,933	29,925
Reinsurers' share of outstanding claims	8.1	36,877	41,271
Reinsurers' share of claims incurred but not reported	8.1	14,924	21,497
Reinsurers' excess of loss claims		2,365	3,152
Deferred policy acquisition costs		6,454	4,870
Investments	7	41,733	35,515
Due from related parties	12	1,088	1,088
Prepayments and other assets		8,047	15,283
Property and equipment		5,833	5,001
Goodwill	1(b)	36,260	36,260
Statutory deposit	1(a)	20,000	20,000
Accrued interest on statutory deposit	1(a)	1,207	913
TOTAL ASSETS		495,533	471,324
LIABILITIES			
Due to policyholders		6,654	9,550
Accrued expenses and other liabilities		8,881	20,980
Due to reinsurers		17,681	9,361
Due to brokers		19,162	16,959
Unearned premiums	8.2	117,376	61,393
Unearned reinsurance commission		6,522	5,747
Outstanding claims	8.1	52,640	60,746
Claims incurred but not reported	8.1	44,597	49,902
Provision for premium deficiency reserve	8.1	6,648	4,799
Other technical reserves	8.1	1,566	2,227
Due to related parties	12	309	309
End of service indemnities		5,760	7,866
Surplus distribution payable		9,080	10,190
Accrued Zakat	13	11,286	13,032
Accrued interest on statutory deposit	1(a)	1,207	913
TOTAL LIABILITIES		309,369	273,974
SHAREHOLDERS' EQUITY			
Share capital		200,000	200,000
Statutory reserve		2,165	2,165
Accumulated losses		(16,001)	(4,815)
TOTAL EQUITY		186,164	197,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		495,533	471,324
COMMITMENTS AND CONTINGENCIES	9	300	600

Director

Chief Financial Officer

Chief Executive Officer


The accompanying notes 1 to 19 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 nine-month periods ended 30 September 2018

	Notes	Three- month period ended 30 September (Unaudited)		Nine- month period ended 30 September (Unaudited)	
		2018	2017	2018	2017
		SR'000	SR'000	SR'000	SR'000
REVENUES					
Gross written premiums	11,17	48,116	25,615	215,137	153,456
Less: Reinsurance contracts premiums ceded					
- Local reinsurance		(498)	(329)	(11,434)	(18,300)
- Foreign reinsurance		(18,191)	(13,160)	(79,831)	(56,941)
Excess of loss expenses		(1,515)	(1,421)	(4,546)	(4,346)
Net written premiums		27,912	10,705	119,326	73,869
Movement in net unearned premiums		4,167	13,419	(39,975)	3,748
Net premiums earned	8.2	32,079	24,124	79,351	77,617
Commission earned on ceded reinsurance		4,518	4,688	13,310	14,779
TOTAL REVENUES		36,597	28,812	92,661	92,396
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid	11,17	35,040	33,749	100,347	96,821
Expenses incurred related to claims		1,336	4,961	4,111	6,461
Less: Reinsurers' share of claims paid		(14,718)	(16,676)	(50,736)	(48,888)
Net claims and other benefits paid		21,658	22,034	53,722	54,394
Change in net outstanding claims, net		268	(11,990)	(2,921)	(11,881)
Changes in IBNR, net		510	218	1,268	(4,230)
Net claims and other benefits incurred		22,436	10,262	52,069	38,283
Provision / (reversal) for premium deficiency reserve		2,728	(802)	1,849	13
Other technical reserves		(504)	619	(662)	383
Policy acquisition costs		3,669	4,080	10,338	10,712
TOTAL UNDERWRITING COSTS AND EXPENSES		28,329	14,159	63,594	49,391
NET UNDERWRITING INCOME		8,268	14,653	29,067	43,005



 Director



 Chief Financial Officer



 Chief Executive Officer


The accompanying notes 1 to 19 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 nine-month periods ended 30 September 2018

		Three- month period ended 30 September (Unaudited)		Nine- month period ended 30 September (Unaudited)	
		2018	2017	2018	2017
	Notes	SR'000	SR'000	SR'000	SR'000
OTHER OPERATING INCOME / (EXPENSES)					
Allowance / (reversal) for impairment of doubtful debts		(1,291)	166	(4,736)	(2,306)
General and administration expenses		(15,565)	(10,605)	(45,241)	(32,299)
Commission income on deposits		1,224	1,292	3,684	4,127
Realised gain on investments	7	368	159	1,499	899
Unrealized gain / (loss) on investments	7	118	(746)	4,299	(860)
Other income		139	273	3,915	4,544
TOTAL OTHER OPERATING EXPENSES		(15,007)	(9,461)	(36,580)	(25,895)
NET (LOSS) / INCOME FOR THE PERIOD		(6,739)	5,192	(7,513)	17,110
NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS	17	—	(564)	—	(1,513)
NET (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		(6,739)	4,628	(7,513)	15,597
(LOSS) / EARNINGS PER SHARE (Expressed in SR per share)	16	(0.34)	0.23	(0.38)	0.78


Director


Chief Financial Officer

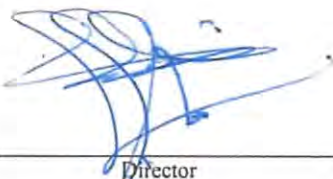

Chief Executive Officer

The accompanying notes 1 to 19 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 nine-month periods ended 30 September 2018

	<i>Three- month period ended 30 September (Unaudited)</i>		<i>Nine- month period ended 30 September (Unaudited)</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<i>Notes</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	(6,739)	4,628	(7,513)	15,597
<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 (LOSS) / INCOME FOR THE PERIOD	(6,739)	4,628	(7,513)	15,597



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
For the nine-month period ended 30 September 2018

2018	<i>For the nine-month period ended 30 September 2018</i>			
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance at 1 January 2018 (audited - restated) (note 18(b))	200,000	2,165	(4,815)	197,350
Total comprehensive income/ (loss) for the Period				
Net loss for the period attributable to the shareholders	--	--	(7,513)	(7,513)
Total comprehensive income/ (loss) for the period attributable to the shareholders	200,000	2,165	(12,328)	189,837
Provision for Zakat for the period (note 13.1)	--	--	(3,673)	(3,673)
Balance at 30 September 2018 (unaudited)	<u>200,000</u>	<u>2,165</u>	<u>(16,001)</u>	<u>186,164</u>

2017	<i>For the nine-month period ended 30 September 2017</i>			
	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
Balance at 1 January 2017 (audited - restated) (note 18(b))	200,000	1,642	(7,314)	194,328
Total comprehensive income/ (loss) for the Period				
Prior year adjustments (note 18(b))	--	--	(125)	(125)
Net income for the period attributable to the Shareholders	--	--	15,597	15,597
Total comprehensive income for the period attributable to the shareholders	200,000	1,642	8,158	209,800
Provision for Zakat for the period (note 13.1)	--	--	(4,046)	(4,046)
Balance at 30 September 2017 (unaudited)	<u>200,000</u>	<u>1,642</u>	<u>4,112</u>	<u>205,754</u>



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 19 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 nine-month period ended 30 September 2018

		30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000
	<i>Notes</i>		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the period		(7,513)	17,110
Adjustments for non-cash items:			
Depreciation		1,422	658
Allowance for impairment of premiums receivable	6	4,572	4,616
Allowance / (reversal) of impairment of reinsurance receivables		162	(2,310)
Provision for premium deficiency reserve		1,849	13
Unrealised (gain) / loss on investments held at FVIS	7	(4,299)	860
Realised gain on investments held at FVIS	7	(1,499)	(899)
Prior year adjustments	18	--	(1,570)
		(5,306)	18,478
Changes in operating assets and liabilities:			
Premiums receivable, net		(20,955)	3,048
Due from reinsurers		7,277	5,844
Reinsurers' share of unearned premiums		(16,008)	(1,664)
Reinsurer's share of outstanding claims		4,394	(38,244)
Reinsurer's share of claims incurred but not reported		6,573	21,725
Deferred excess of loss claims		787	1,310
Deferred policy acquisition costs		(1,584)	810
Prepayments and other assets		7,236	4,044
Due to policy holders		(2,896)	(2,829)
Accrued expenses and other liabilities		(12,099)	(9,746)
Due to reinsurers		8,320	(19,615)
Due to brokers		2,203	6,964
Unearned premiums		55,983	(2,084)
Unearned reinsurance commission		775	(444)
Outstanding claims		(8,106)	8,124
Claims incurred but not reported		(5,305)	(9,026)
Other technical reserves		(661)	383
End of service indemnities, net		(2,106)	(11)
		23,828	(31,411)
Zakat paid	13	(5,419)	(4,825)
Surplus paid to policy holders		(1,110)	-
Net cash generated from / (used in) operating activities		11,993	(17,758)



Director



Chief Financial Officer

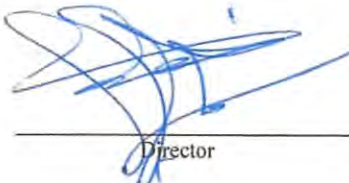


Chief Executive Officer

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (continued)
For the nine-month period ended 30 September 2018

		30 September 2018 (Unaudited) SR'000	30 September 2017 (Unaudited) SR'000
	<i>Notes</i>		
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(2,254)	(2,443)
Purchase of investments held at FVIS	7	(4,217)	--
Disposal of investments held at FVIS	7	3,797	--
Maturity of Murabaha deposits		--	100,000
Net cash (used in) / generated from investing activities		(2,674)	97,557
NET CHANGE IN CASH AND CASH EQUIVALENTS		9,319	79,799
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		110,768	28,919
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	120,087	108,718



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 19 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

As at 30 September 2018

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 1431 H (corresponding to 3 January 2010) and registered under Commercial Registration number 4030196620 dated 9 Safar 1431 H (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:

Branch	<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 1429 H (corresponding to 3 December 2008) pursuant to Council of Ministers' Resolution No. 365 dated 3 Thul Hujja 1429 H (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 1431 H (corresponding to 6 March 2010). The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 24 Safar 1431 H (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%
	<u>100%</u>

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 September 2018

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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The interim condensed financial statements for the three months and nine months periods ended 30 September 2018 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings with a corresponding liability recognized in the interim condensed statement of financial position.

The interim condensed financial information is prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available-for-sale investments which is accounted for under the equity method. 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 and property and equipment.

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 34 to 43 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 September 2018

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 2017.

In first quarter of 2018, SAMA issued an illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. Following the illustrative financial statements, this is the third period where the Company issued its interim condensed financial statements after combining shareholders and insurance operations to prepare the Company level interim condensed financial statements. In the most recent and earlier annual financial statements, the Company presented shareholders and insurance operations separately. In preparing these interim condensed financial statements certain amounts which in the most recent annual financial statements were presented separately for shareholders and insurance operations, were amalgamated and combined together to conform with SAMA requirements.

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 2017.

c. SEASONALITY OF OPERATIONS

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

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 2017, 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 15	Revenue from Contracts with Customers (note below)
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014-2016 cycle

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. However, IFRS 15 does not apply to “revenue from insurance contracts”. Insurance entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts). Therefore, insurance entities will need to carefully evaluate the scope of this standard.

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring of goods or services to a customer.

Though there are changes in accounting policy, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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.

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)	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts (see below)	1 January 2021

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the 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 recognised 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 2021. 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 having 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 2021.

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 such, it is not possible to fully assess the effect of the adoption of IFRS 9.

c. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to 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 2017. There have been no changes in the risk management department or in any risk management policies since the year end.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

4. CASH AND CASH EQUIVALENTS

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

	<i>30 September 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
<i>Insurance operations</i>		
Cash in hand	15	32
Cash at banks (see note (a) below)	13,695	9,246
Investment in Murabaha deposits with maturity less than three months	96,500	100,000
	<u>110,210</u>	<u>109,278</u>
<i>Shareholders' operations</i>		
Cash at banks	377	1,490
Investment in Murabaha deposits with maturity less than three months	9,500	--
	<u>9,877</u>	<u>1,490</u>
Total of cash and cash equivalents	<u>120,087</u>	<u>110,768</u>

- a) At 30 September 2018, bank balances amounting to SR 0.5 million (31 December 2017: SR 0.5 million), are held in the name of related parties of the Company, on behalf of the Company.

5. INVESTMENT IN MURABAHA DEPOSITS

	<i>30 September 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
<i>Insurance operations</i>		
Investment in Murabaha deposits	96,500	100,000
Less: investment in Murabaha deposits with maturity less than three months (see note 4)	(96,500)	(100,000)
	<u>--</u>	<u>--</u>
<i>Shareholders' operations</i>		
Investment in Murabaha deposits	92,500	83,000
Less: investment in Murabaha deposits with maturity less than three months (see note 4)	(9,500)	--
	<u>83,000</u>	<u>83,000</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

6. PREMIUMS RECEIVABLE, NET

Premium receivables comprise amounts due from the following:

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Policyholders	75,213	55,869
Related parties (note 12)	8,090	6,479
	83,303	62,348
Allowance for impairment of premiums receivables	(24,943)	(20,371)
	58,360	41,977

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

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Balance at beginning of the period / year	20,371	19,123
Addition during the period / year	4,572	1,248
Balance at end of the period / year	24,943	20,371

7. INVESTMENTS

	<i>Notes</i>	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Shareholders' operations			
Investments held at fair value through income statement (FVIS)	7(a)	39,810	33,592
Available-for-sale investment	7(b)	1,923	1,923
		41,733	35,515

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

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

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Balance at beginning of the period / year	33,592	33,015
Purchases during the period / year	4,217	--
Disposals during the period / year	(3,797)	--
Realized gain during the period / year	1,499	1,312
Unrealized gain / (loss) during the period / year	4,299	(735)
Balance at end of the period / year	39,810	33,592

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

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 39.81 million (31 December 2017: SR 33.59 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 September 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
Outstanding claims	52,640	60,746
Claims incurred but not reported	44,597	49,902
Provision for premium deficiency reserve	6,648	4,799
Other technical reserves	1,566	2,227
	<u>105,451</u>	<u>117,674</u>
Less:		
Reinsurers' share of outstanding claims	36,877	41,271
Reinsurers' share of claims incurred but not reported	14,924	21,497
	<u>51,801</u>	<u>62,768</u>
Net outstanding claims and reserves	<u>53,650</u>	<u>54,906</u>

8.2. MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following:

	<i>Nine-months ended 30 September 2018 (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	61,393	(29,925)	31,468
Premiums written during the period	215,137	(95,811)	119,326
Premiums earned during the period	(159,154)	79,803	(79,351)
Balance as at the end of the period	<u>117,376</u>	<u>(45,933)</u>	<u>71,443</u>
	<i>Year ended 31 December 2017 (Audited)</i>		
	<i>Gross SR'000</i>	<i>Reinsurance SR'000</i>	<i>Net SR'000</i>
Balance as at the beginning of the period	77,823	(34,709)	43,114
Premiums written during the period	185,627	(97,390)	88,237
Premiums earned during the period	(202,057)	102,174	(99,883)
Balance as at the end of the period	<u>61,393</u>	<u>(29,925)</u>	<u>31,468</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

9. COMMITMENTS AND CONTINGENCIES

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

	30 September 2018 (Unaudited) SR'000	31 December 2017 (Audited) SR'000
Letters of guarantee	300	600
Total	300	600

b. Zakat and withholding tax contingencies have been disclosed in note 13.2.

c. The Company is not subject any significant legal proceedings in the ordinary course of business.

10. 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

10. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Carrying amounts and fair value

The following table shows the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value. At 30 September 2018, there were no financial instruments held by the Company that were measured at fair value, apart from the investments which are carried at fair value.

30 September 2018 (Unaudited)	<i>Carrying value</i>	<i>Fair Value</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</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>Shareholders' operations</i>					
Investments held at FVIS	39,810	39,810	--	--	39,810
	<u>39,810</u>	<u>39,810</u>	<u>--</u>	<u>--</u>	<u>39,810</u>
	<u><u>39,810</u></u>	<u><u>39,810</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>39,810</u></u>
31 December 2017 (Audited)	<i>Carrying value</i>	<i>Fair Value</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</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>Shareholders' operations</i>					
Investments held at FVIS	33,592	33,592	--	--	33,592
	<u>33,592</u>	<u>33,592</u>	<u>--</u>	<u>--</u>	<u>33,592</u>
	<u><u>33,592</u></u>	<u><u>33,592</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>33,592</u></u>

- As at 30 September 2018, the Company has an investment amounting to SR 1.9 million in an unquoted equity security. This investment has not been measured at fair value because of 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) 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 nine-month periods ended 30 September 2018 and year ended 31 December 2017. Also, there were no changes in the valuation techniques during the period from the previous periods.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. 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 2017.

Segment assets do not include cash and cash equivalents, investment in Murabaha deposits, premiums receivable, net, due from reinsurers, prepayments and other assets and property and equipment. 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 and surplus distribution payable. 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 September 2018 and 31 December 2017, its total revenues, expenses, and net income for the three-month and nine-month periods then ended, are as follows:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (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>Total Insurance Operations</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	11,868	10,695	12,116	3,681	3,823	3,750	45,933	45,933
Reinsurers' share of outstanding claims	4,431	1,175	19,589	4,291	3,470	3,921	36,877	36,877
Reinsurers' share of claims incurred but not reported	3,021	3,350	6,018	933	573	1,029	14,924	14,924
Deferred policy acquisition costs	638	2,890	1,136	406	505	879	6,454	6,454
Unallocated assets	--	--	--	--	--	--	197,661	391,345
Total assets	19,958	18,110	38,859	9,311	8,371	9,579	301,849	495,533
Liabilities								
Unearned premiums	20,572	66,499	13,204	4,156	5,033	7,912	117,376	117,376
Unearned reinsurance commission	--	984	2,617	858	1,218	845	6,522	6,522
Outstanding claims	5,301	7,760	23,170	4,445	4,959	7,005	52,640	52,640
Claims incurred but not reported	3,922	19,434	16,370	1,756	1,306	1,809	44,597	44,597
Provision for premium deficiency reserve	--	3,940	999	1,709	--	--	6,648	6,648
Other technical reserves	--	1,050	182	243	38	53	1,566	1,566
Unallocated liabilities	--	--	--	--	--	--	65,963	80,020
Total liabilities	29,795	99,667	56,542	13,167	12,554	17,624	295,312	309,369

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2017 (Audited) (Restated)	<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>Total Insurance Operations</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	5,139	3,606	10,836	4,095	3,364	2,885	29,925	--	29,925
Reinsurers' share of outstanding claims	2,169	2,105	26,609	5,821	1,005	3,562	41,271	--	41,271
Reinsurers' share of claims incurred but not reported	2,618	2,325	10,744	2,258	2,202	1,350	21,497	--	21,497
Deferred policy acquisition costs	302	1,668	1,128	453	571	748	4,870	--	4,870
Unallocated assets	--	--	--	--	--	--	191,224	182,537	373,761
Total assets	10,228	9,704	49,317	12,627	7,142	8,545	288,787	182,537	471,324
<i>Liabilities</i>									
Unearned premiums	9,368	24,405	12,029	4,570	4,950	6,071	61,393	--	61,393
Unearned reinsurance commission	--	370	2,268	922	1,262	925	5,747	--	5,747
Outstanding claims	2,756	13,193	31,254	6,035	1,524	5,984	60,746	--	60,746
Claims incurred but not reported	3,546	15,880	22,267	3,066	2,881	2,262	49,902	--	49,902
Provision for premium deficiency reserve	323	--	2,969	1,507	--	--	4,799	--	4,799
Other technical reserves	--	559	281	1,299	36	52	2,227	--	2,227
Unallocated liabilities	--	--	--	--	--	--	71,591	17,569	89,160
Total liabilities	15,993	54,407	71,068	17,399	10,653	15,294	256,405	17,569	273,974

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the three-month period ended 30 September 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	7,550	23,254	4,806	945	5,026	6,535	48,116
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(283)	(31)	(151)	(33)	(498)
- Foreign reinsurance	(3,942)	(3,925)	(4,123)	(800)	(3,665)	(1,736)	(18,191)
Excess of loss expenses	--	(743)	(741)	--	(31)	--	(1,515)
Net written premiums	3,608	18,586	(341)	114	1,179	4,766	27,912
Changes in unearned premiums, net	1,230	2,348	265	149	98	77	4,167
Net premiums earned	4,838	20,934	(76)	263	1,277	4,843	32,079
Reinsurance commissions	--	426	1,651	512	981	948	4,518
TOTAL REVENUES	4,838	21,360	1,575	775	2,258	5,791	36,597
Gross claims paid	8,297	20,899	4,120	331	408	985	35,040
Expenses incurred related to claims	417	919	--	--	--	--	1,336
Less: Reinsurers' share of claims paid	(6,781)	(3,118)	(3,520)	(285)	(243)	(771)	(14,718)
Net claims and other benefits paid	1,933	18,700	600	46	165	214	21,658
Changes in outstanding claims, net	14	(248)	(301)	1	510	292	268
Changes in IBNR, net	(226)	953	(337)	(37)	65	92	510
Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve	1,721	19,405	(38)	10	740	598	22,436
Other technical reserves	(413)	2,765	(518)	894	--	--	2,728
Policy acquisition costs	--	43	--	(547)	--	--	(504)
	312	1,379	708	245	448	577	3,669
TOTAL UNDERWRITING COSTS AND EXPENSES	1,620	23,592	152	602	1,188	1,175	28,329
NET UNDERWRITING INCOME / (LOSS)	3,218	(2,232)	1,423	173	1,070	4,616	8,268

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-month period ended 30 September 2018 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</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>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	<i>SR '000</i>
NET UNDERWRITING INCOME / (LOSS)	3,218	(2,232)	1,423	173	1,070	4,616	8,268
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							(1,291)
General and administration expenses							(15,565)
Commission income on deposits							1,224
Realised gain on investments							368
Unrealized gain on investments							118
Other income							139
TOTAL OTHER OPERATING EXPENSES							(15,007)
Net loss for the period							(6,739)
Total income attributed to insurance operations							--
Net loss for the period attributable to the shareholders							(6,739)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the nine-month period ended 30 September 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	42,902	94,980	26,228	7,350	15,396	28,281	215,137
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(8,439)	(1,134)	(476)	(1,385)	(11,434)
- Foreign reinsurance	(26,010)	(16,376)	(15,691)	(5,435)	(10,280)	(6,039)	(79,831)
Excess of loss expenses	--	(2,231)	(2,223)	--	(92)	--	(4,546)
Net written premiums	16,892	76,373	(125)	781	4,548	20,857	119,326
Changes in unearned premiums, net	(4,475)	(35,006)	105	1	376	(976)	(39,975)
Net premiums earned	12,417	41,367	(20)	782	4,924	19,881	79,351
Reinsurance commissions	--	1,023	4,930	1,746	3,574	2,037	13,310
TOTAL REVENUES	12,417	42,390	4,910	2,528	8,498	21,918	92,661
Gross claims paid	20,392	49,775	20,183	6,596	1,168	2,233	100,347
Expenses incurred related to claims	2,014	2,097	--	--	--	--	4,111
Less: Reinsurers' share of claims paid	(16,368)	(7,581)	(18,721)	(5,982)	(566)	(1,518)	(50,736)
Net claims and other benefits paid	6,038	44,291	1,462	614	602	715	53,722
Changes in outstanding claims, net	283	(4,552)	(223)	(59)	969	661	(2,921)
Changes in IBNR, net	(26)	2,529	(1,169)	15	52	(133)	1,268
Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve	6,295	42,268	70	570	1,623	1,243	52,069
Other technical reserves	(323)	3,940	(1,970)	202	--	--	1,849
Policy acquisition costs	--	487	(84)	(1,060)	--	(5)	(662)
	727	3,517	2,198	767	1,665	1,464	10,338
TOTAL UNDERWRITING COSTS AND EXPENSES	6,699	50,212	214	479	3,288	2,702	63,594
NET UNDERWRITING INCOME / (LOSS)	5,718	(7,822)	4,696	2,049	5,210	19,216	29,067

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the nine-month period ended 30 September 2018 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</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>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	
NET UNDERWRITING INCOME / (LOSS)	5,718	(7,822)	4,696	2,049	5,210	19,216	29,067
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							(4,736)
General and administration expenses							(45,241)
Commission income on deposits							3,684
Realized gain on investments							1,499
Unrealized gain on investments							4,299
Other income							3,915
TOTAL OTHER OPERATING EXPENSES							(36,580)
Net loss for the period							(7,513)
Total income attributed to insurance operations							--
Net loss for the period attributable to the shareholders							(7,513)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the three-month period ended 30 September 2017 (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	2,925	7,919	6,411	881	4,274	3,205	25,615
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(142)	(32)	(127)	(28)	(329)
- Foreign reinsurance	(1,423)	(1,306)	(5,661)	(727)	(2,958)	(1,085)	(13,160)
Excess of loss expenses	--	(744)	(646)	--	(31)	--	(1,421)
Net written premiums	1,502	5,869	(38)	122	1,158	2,092	10,705
Changes in unearned premiums, net	852	11,343	410	152	63	599	13,419
Net premiums earned	2,354	17,212	372	274	1,221	2,691	24,124
Reinsurance commissions	--	374	1,824	623	892	975	4,688
TOTAL REVENUES	2,354	17,586	2,196	897	2,113	3,666	28,812
Gross claims paid	4,101	16,138	6,214	4,329	1,377	1,590	33,749
Expenses incurred related to claims	186	832	3,943	--	--	--	4,961
Less: Reinsurers' share of claims paid	(3,149)	(2,496)	(5,251)	(4,274)	(849)	(657)	(16,676)
Net claims and other benefits paid	1,138	14,474	4,906	55	528	933	22,034
Changes in outstanding claims, net	(136)	(6,527)	(4,595)	(337)	147	(542)	(11,990)
Changes in IBNR, net	(1,209)	1,880	(114)	1	(265)	(75)	218
Net claims and other benefits incurred (Reversal) / provision for premium deficiency reserve	(207)	9,827	197	(281)	410	316	10,262
Other technical reserves	393	(1,821)	--	--	--	626	(802)
Policy acquisition costs	--	(138)	--	757	--	--	619
	118	1,799	828	311	462	562	4,080
TOTAL UNDERWRITING COSTS AND EXPENSES	304	9,667	1,025	787	872	1,504	14,159
NET UNDERWRITING INCOME	2,050	7,919	1,171	110	1,241	2,162	14,653

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-month period ended 30 September 2017 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</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>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	
NET UNDERWRITING INCOME	2,050	7,919	1,171	110	1,241	2,162	14,653
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							166
General and administration expenses							(10,605)
Commission income on deposits							1,292
Realized gain on investments							159
Unrealized loss on investments							(746)
Other income							273
TOTAL OTHER OPERATING EXPENSES							(9,461)
Net income for the period							5,192
Total income attributed to insurance operations							(564)
Net income for the period attributable to the shareholders							4,628

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the nine-month period ended 30 September 2017 (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	18,978	60,513	32,798	8,648	15,150	17,369	153,456
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	(137)	(11,931)	(2,554)	(1,227)	(2,451)	(18,300)
- Foreign reinsurance	(11,064)	(9,735)	(17,451)	(5,239)	(9,056)	(4,396)	(56,941)
Excess of loss expenses	--	(2,231)	(2,022)	--	(93)	--	(4,346)
Net written premiums	7,914	48,410	1,394	855	4,774	10,522	73,869
Changes in unearned premiums, net	3	3,408	(372)	29	(453)	1,133	3,748
Net premiums earned	7,917	51,818	1,022	884	4,321	11,655	77,617
Reinsurance commissions	--	1,164	5,278	2,056	3,245	3,036	14,779
TOTAL REVENUES	7,917	52,982	6,300	2,940	7,566	14,691	92,396
Gross claims paid	14,597	49,274	16,441	6,915	4,929	4,665	96,821
Expenses incurred related to claims	907	1,611	3,943	--	--	--	6,461
Less: Reinsurers' share of claims paid	(10,830)	(10,016)	(14,932)	(6,615)	(3,271)	(3,224)	(48,888)
Net claims and other benefits paid	4,674	40,869	5,452	300	1,658	1,441	54,394
Changes in outstanding claims, net	(503)	(6,545)	(3,803)	(315)	(622)	(93)	(11,881)
Changes in IBNR, net	(1,421)	(4,405)	1,013	28	254	301	(4,230)
Net claims and other benefits incurred	2,750	29,919	2,662	13	1,290	1,649	38,283
Provision for premium deficiency reserve	394	(1,158)	--	151	--	626	13
Other technical reserves	--	(899)	--	1,282	--	--	383
Policy acquisition costs	253	4,715	2,300	961	1,049	1,434	10,712
TOTAL UNDERWRITING COSTS AND EXPENSES	3,397	32,577	4,962	2,407	2,339	3,709	49,391
NET UNDERWRITING INCOME	4,520	20,405	1,338	533	5,227	10,982	43,005

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

11. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the nine-month period ended 30 September 2017 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</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>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	
NET UNDERWRITING INCOME	4,520	20,405	1,338	533	5,227	10,982	43,005
OTHER OPERATING (EXPENSES) / INCOME							
Allowance for impairment of doubtful debts							(2,306)
General and administration expenses							(32,299)
Commission income on deposits							4,127
Realized gain on investments							899
Unrealized gain on investments							(860)
Other income							4,544
TOTAL OTHER OPERATING EXPENSES							(25,895)
Net income for the period							17,110
Total income attributed to insurance operations							(1,513)
Net income for the period attributable to the shareholders							15,597

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018

12. 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:

<i>Related party</i>	<i>Relationship</i>	<i>Nature of transactions</i>	<i>Transactions for the three-month and nine-month periods ended</i>				<i>Balance receivable / (payable) as at</i>	
			<i>Three month period ended 30 September 2018</i>	<i>Three month period ended 30 September 2017</i>	<i>Nine month period ended 30 September 2018</i>	<i>Nine month period ended 30 September 2017</i>	<i>30 September 2018</i>	<i>31 December 2017</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</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>Insurance operations</i>								
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	--	--	--	--	(309)	(309)
Rolaco Group	Related to Shareholders	Premiums underwritten	36	99	682	855	26	22
		Claims paid	(39)	(19)	(50)	(204)	3	(1)
Dabbagh Group	Related to Shareholders	Premiums underwritten	253	653	7,510	9,225	5,479	1,886
		Claims paid	(525)	(443)	(1,825)	(2,400)	(737)	(569)
Farouk, Maamoun Tamer & Company	Shareholder	Premiums underwritten	2,610	1,228	10,804	11,406	2,585	4,571
		Claims paid	(176)	(533)	(746)	(1,842)	(2,308)	(1,551)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

12. TRANSACTIONS WITH RELATED PARTIES (Continued)

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transactions for the three-month and nine-month periods ended</u>				<u>Balance receivable / (payable) as at</u>	
			<u>Three month</u>	<u>Three month</u>	<u>Nine month</u>	<u>Nine month</u>	<u>30</u>	<u>31</u>
			<u>period ended 30</u>	<u>period ended 30</u>	<u>period ended 30</u>	<u>period ended 30</u>	<u>September</u>	<u>December</u>
			<u>September 2018</u>	<u>September 2017</u>	<u>September 2018</u>	<u>September 2017</u>	<u>2018</u>	<u>2017</u>
			<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
			<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
<i>Insurance operations (continued)</i>								
Key management Personnel		Short-term benefits	(664)	(568)	(1,826)	(2,515)	--	--
		Long-term benefits	(33)	16	(92)	66	(351)	(259)
<i>Shareholders' operations</i>								
Board of Directors		Board of Directors remuneration and related expenses	450	505	1,350	(112)	(1,350)	(1,800)

The compensation of key management personnel during the nine-month periods are as follows:

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>30 September 2018</u>	<u>30 September 2017</u>	<u>30 September 2018</u>	<u>30 September 2017</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Salaries and other allowances	664	568	1,826	2,515
End of service indemnities	33	(16)	92	(66)
Total	697	552	1,918	2,449
Remuneration to those charges with governance	450	505	1,350	(112)

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018

13. ZAKAT

13.1. 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 nine-month period ended 30 September 2018 and the year ended 31 December 2017 are as follows:

	<i>30 September 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
Balance at beginning of the period / year	13,032	12,520
Charge for the period / year	3,673	5,337
Paid during the period / year	(5,419)	(4,825)
Balance at end of the period / year	<u>11,286</u>	<u>13,032</u>

13.2 Status of assessments

- (a) 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.
- (b) 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 December 31, 2011 to 2013 claimed additional Zakat liability and withholding tax difference of 6.2 Mn and SR 11 Mn, respectively and delay fine charges. The Company settled Zakat differences of SR 0.2 Mn and withholding tax of SR 0.017 Mn 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 Mn and SR 11 Mn in addition to delay fine charges of SR. 9.5 Mn. 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 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 Mn and settled the withholding tax difference of SR 11 Mn.

The management is confident of a favourable outcome of the appeals under review by the GAZT. However, the Company has recorded SR. 11 Mn in statement in changes of shareholders' equity for withholding tax differences as at 31 December 2017.

- (c) The Company has filed its Zakat return for the years 2014 to 2017 and obtained the necessary Zakat certificates. The Company's returns are still under study by the GAZT.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

14. SHARE CAPITAL

The share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2017: 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 September 2018 (Unaudited)</i>		<i>31 December 2017 (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

15. 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 maximise 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 September 2018 (Unaudited) SR'000</i>	<i>31 December 2017 (Audited) SR'000</i>
Available capital	123,771	146,879
Minimum regulatory capital	(100,000)	(100,000)
Surplus capital	23,771	46,879

16. (LOSS) / EARNINGS PER SHARE

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION

Interim Condensed Statement of Financial Position

	30 September, 2018 (Unaudited)			31 December, 2017 (Audited) (Restated)		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' 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>
ASSETS						
Cash and cash equivalents	110,210	9,877	120,087	109,278	1,490	110,768
Investment in Murabaha deposits	--	83,000	83,000	--	83,000	83,000
Premiums receivable, net	58,360	--	58,360	41,977	--	41,977
Due from reinsurers, net	13,365	--	13,365	20,804	--	20,804
Reinsurers' share of unearned premiums	45,933	--	45,933	29,925	--	29,925
Reinsurers' share of outstanding claims	36,877	--	36,877	41,271	--	41,271
Reinsurers' share of claims incurred but not reported	14,924	--	14,924	21,497	--	21,497
Deferred excess of loss claims	2,365	--	2,365	3,152	--	3,152
Deferred policy acquisition costs	6,454	--	6,454	4,870	--	4,870
Investments	--	41,733	41,733	--	35,515	35,515
Due from insurance operations	--	6,537	6,537	--	32,382	32,382
Due from related parties	1,088	--	1,088	1,088	--	1,088
Prepayments and other assets	6,440	1,607	8,047	9,924	5,359	15,283
Property and equipment	5,833	--	5,833	5,001	--	5,001
Goodwill	--	36,260	36,260	--	36,260	36,260
Statutory deposit	--	20,000	20,000	--	20,000	20,000
Accrued return on statutory deposit	--	1,207	1,207	--	913	913
TOTAL OPERATIONS ASSETS	301,849	200,221	502,070	288,787	214,919	503,706
Less: Inter-operations eliminations	--	(6,537)	(6,537)	--	(32,382)	(32,382)
TOTAL ASSETS	301,849	193,684	495,533	288,787	182,537	471,324

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Financial Position (continued)

	30 September, 2018 (Unaudited)			31 December, 2017 (Audited) (Restated)		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' 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>
LIABILITIES						
Due to policyholders	6,654	--	6,654	9,550	--	9,550
Accrued expenses and other liabilities	7,317	1,564	8,881	17,356	3,624	20,980
Due to reinsurers	17,681	--	17,681	9,361	--	9,361
Due to brokers	19,162	--	19,162	16,959	--	16,959
Unearned premiums	117,376	--	117,376	61,393	--	61,393
Unearned reinsurance commission	6,522	--	6,522	5,747	--	5,747
Outstanding claims	52,640	--	52,640	60,746	--	60,746
Claims incurred but not reported	44,597	--	44,597	49,902	--	49,902
Provision for premium deficiency reserve	6,648	--	6,648	4,799	--	4,799
Other technical reserves	1,566	--	1,566	2,227	--	2,227
Due to shareholders' operations	6,537	--	6,537	32,382	--	32,382
Due to related parties	309	--	309	309	--	309
End of service indemnities	5,760	--	5,760	7,866	--	7,866
Surplus distribution payable	9,080	--	9,080	10,190	--	10,190
Accrued Zakat	--	11,286	11,286	--	13,032	13,032
Accrued return on statutory deposit	--	1,207	1,207	--	913	913
TOTAL OPERATIONS LIABILITIES	301,849	14,057	315,906	288,787	17,569	306,356
Less: Inter-operations eliminations	(6,537)	--	(6,537)	(32,382)	--	(32,382)
TOTAL LIABILITIES	295,312	14,057	309,369	256,405	17,569	273,974
SHAREHOLDERS' EQUITY						
Share capital	--	200,000	200,000	--	200,000	200,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(16,001)	(16,001)	--	(4,815)	(4,815)
TOTAL EQUITY	--	186,164	186,164	--	197,350	197,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	295,312	200,221	495,533	256,405	214,919	471,324

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the three-month period ended

	30 September, 2018 (Unaudited)			30 September, 2017 (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	48,116	--	48,116	25,615	--	25,615
Less: Reinsurance contracts premiums ceded						
- Local reinsurance	(498)	--	(498)	(329)	--	(329)
- Foreign reinsurance	(18,191)	--	(18,191)	(13,160)	--	(13,160)
Excess of loss expenses	(1,515)	--	(1,515)	(1,421)	--	(1,421)
Net written premiums	27,912	--	27,912	10,705	--	10,705
Changes in unearned premiums, net	4,167	--	4,167	13,419	--	13,419
Net premiums earned	32,079	--	32,079	24,124	--	24,124
Commission earned on ceded reinsurance	4,518	--	4,518	4,688	--	4,688
TOTAL REVENUES	36,597	--	36,597	28,812	--	28,812
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	35,040	--	35,040	33,749	--	33,749
Expenses incurred related to claims	1,336	--	1,336	4,961	--	4,961
Less: Reinsurers' share of claims paid	(14,718)	--	(14,718)	(16,676)	--	(16,676)
Net claims and other benefits paid	21,658	--	21,658	22,034	--	22,034
Change in net outstanding claims, net	268	--	268	(11,990)	--	(11,990)
Changes in IBNR, net	510	--	510	218	--	218
Net claims and other benefits incurred	22,436	--	22,436	10,262	--	10,262
Provision / (reversal) for premium deficiency reserve	2,728	--	2,728	(802)	--	(802)
Other technical reserves	(504)	--	(504)	619	--	619
Policy acquisition costs	3,669	--	3,669	4,080	--	4,080
TOTAL UNDERWRITING COSTS AND EXPENSES	28,329	--	28,329	14,159	--	14,159
NET UNDERWRITING INCOME	8,268	--	8,268	14,653	--	14,653

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the three-month period ended

	30 September, 2018 (Unaudited)			30 September, 2017 (Unaudited)		
	Insurance	Shareholders	Total	Insurance	Shareholders	Total
	operations	' operations		operations	' operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for impairment of doubtful debts	(1,291)	—	(1,291)	166	—	166
General and administration expenses	(14,519)	(1,046)	(15,565)	(10,663)	58	(10,605)
Commission income on deposits	416	808	1,224	363	929	1,292
Realised gain on investments	—	368	368	—	159	159
Unrealized gain on investments	—	118	118	—	(746)	(746)
Other income / (expenses)	139	—	139	1,118	(845)	273
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(15,255)	248	(15,007)	(9,016)	(445)	(9,461)
NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS	(6,987)	248	(6,739)	5,637	(444)	5,192
Shareholders' (absorption of deficit) / Surplus transferred to Shareholders	6,987	(6,987)	—	(5,073)	5,073	—
NET RESULT FROM INSURANCE OPERATIONS AFTER SHAREHOLDERS' (ABSORPTION OF DEFICIT) / TRANSFER OF SURPLUS TO SHAREHOLDERS	—	(6,739)	(6,739)	564	4,628	5,192
(LOSS) / EARNINGS PER SHARE (Expressed in SR per share)	—	(0.34)	—	—	0.23	—

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the three-month period ended

	30 September, 2018 (Unaudited)			30 September, 2017 (Unaudited)		
	Insurance	Shareholders	Total	Insurance	Shareholders	Total
	operations	' operations		operations	' operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Net result after shareholders' (absorption of deficit) / transfer of surplus to shareholders	--	(6,739)	(6,739)	--	4,628	4,628
<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 (LOSS) / INCOME FOR THE PERIOD	<u>--</u>	<u>(6,739)</u>	<u>(6,739)</u>	<u>--</u>	<u>4,628</u>	<u>4,628</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the nine-month period ended

	<i>30 September, 2018 (Unaudited)</i>			<i>30 September, 2017 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' 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>
REVENUES						
Gross written premiums	215,137	--	215,137	153,456	--	153,456
Less: Reinsurance contracts premiums ceded						
- Local reinsurance	(11,434)	--	(11,434)	(18,300)	--	(18,300)
- Foreign reinsurance	(79,831)	--	(79,831)	(56,941)	--	(56,941)
Excess of loss expenses	(4,546)	--	(4,546)	(4,346)	--	(4,346)
Net written premiums	119,326	--	119,326	73,869	--	73,869
Changes in unearned premiums, net	(39,975)	--	(39,975)	3,748	--	3,748
Net premiums earned	79,351	--	79,351	77,617	--	77,617
Commission earned on ceded reinsurance	13,310	--	13,310	14,779	--	14,779
TOTAL REVENUES	92,661	--	92,661	92,396	--	92,396
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	100,347	--	100,347	96,821	--	96,821
Expenses incurred related to claims	4,111	--	4,111	6,461	--	6,461
Less: Reinsurers' share of claims paid	(50,736)	--	(50,736)	(48,888)	--	(48,888)
Net claims and other benefits paid	53,722	--	53,722	54,394	--	54,394
Change in net outstanding claims, net	(2,921)	--	(2,921)	(11,881)	--	(11,881)
Changes in IBNR, net	1,268	--	1,268	(4,230)	--	(4,230)
Net claims and other benefits incurred	52,069	--	52,069	38,283	--	38,283
Provision for premium deficiency reserve	1,849	--	1,849	13	--	13
Other technical reserves	(662)	--	(662)	383	--	383
Policy acquisition costs	10,338	--	10,338	10,712	--	10,712
TOTAL UNDERWRITING COSTS AND EXPENSES	63,594	--	63,594	49,391	--	49,391
NET UNDERWRITING INCOME	29,067	--	29,067	43,005	--	43,005

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the nine-month period ended

	<i>30 September, 2018 (Unaudited)</i>			<i>30 September, 2017 (Unaudited)</i>		
	<i>Insurance</i>	<i>Shareholders</i>	<i>Total</i>	<i>Insurance</i>	<i>Shareholders</i>	<i>Total</i>
	<i>operations</i>	<i>' operations</i>		<i>operations</i>	<i>' operations</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>
OTHER OPERATING (EXPENSES) / INCOME						
Allowance for impairment of doubtful debts	(4,736)	--	(4,736)	(2,306)	--	(2,306)
General and administration expenses	(42,477)	(2,764)	(45,241)	(31,507)	(792)	(32,299)
Commission income on deposits	1,054	2,630	3,684	1,511	2,616	4,127
Realised gain on investments	--	1,499	1,499	--	899	899
Unrealized gain / (loss) on investments	--	4,299	4,299	--	(860)	(860)
Other income	3,915	--	3,915	4,431	113	4,544
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(42,244)	5,664	(36,580)	(27,871)	1,976	(25,895)
NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS	(13,177)	5,664	(7,513)	15,134	1,976	17,110
Shareholders' absorption of deficit / (surplus transferred to Shareholders)	13,177	(13,177)	--	(13,621)	13,621	--
NET RESULT FROM INSURANCE OPERATIONS AFTER SHAREHOLDERS' (ABSORPTION OF DEFICIT) / TRANSFER OF SURPLUS TO SHAREHOLDERS	--	(7,513)	(7,513)	1,513	15,597	17,110
(LOSS) / EARNINGS PER SHARE (Expressed in SR per share)	--	(0.38)	--	--	0.78	--

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the nine-month period ended

	30 September, 2018 (Unaudited)			30 September, 2017 (Unaudited)		
	Insurance	Shareholders	Total	Insurance	Shareholders	Total
	operations	' operations		operations	' operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Net result after shareholders' (absorption of deficit) / transfer of surplus to shareholders	--	(7,513)	(7,513)	--	15,597	15,597
<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 (LOSS) / INCOME FOR THE PERIOD	--	(7,513)	(7,513)	--	15,597	15,597

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows

For the nine-month period ended

	<i>30 September, 2018 (Unaudited)</i>			<i>30 September, 2017 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' 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>
CASH FLOWS FROM OPERATING ACTIVITIES						
Net (loss) / income for the period	--	(7,513)	(7,513)	1,513	15,597	17,110
Adjustments for non-cash items:						
Depreciation	1,422	--	1,422	658	--	658
Allowance for impairment of premiums receivable	4,572	--	4,572	4,616	--	4,616
Allowance / (reversal) for impairment of reinsurance receivables	162	--	162	(2,310)	--	(2,310)
Provision for premium deficiency reserve	1,849	--	1,849	13	--	13
Unrealised gain / (loss) on investments held at FVIS	--	(4,299)	(4,299)	--	860	860
Realised gain on investments held at FVIS	--	(1,499)	(1,499)	--	(899)	(899)
Prior year adjustments	--	--	--	--	(1,570)	(1,570)
	8,005	(13,311)	(5,306)	4,490	13,988	18,478
Changes in operating assets and liabilities:						
Premiums receivable, net	(20,955)	--	(20,955)	3,048	--	3,048
Due from reinsurers	7,277	--	7,277	5,844	--	5,844
Reinsurers' share of unearned premiums	(16,008)	--	(16,008)	(1,664)	--	(1,664)
Reinsurer's share of outstanding claims	4,394	--	4,394	(38,244)	--	(38,244)
Reinsurer's share of claims incurred but not reported	6,573	--	6,573	21,725	--	21,725
Deferred excess of loss claims	787	--	787	1,310	--	1,310
Deferred policy acquisition costs	(1,584)	--	(1,584)	810	--	810
Prepayments and other assets	3,484	3,752	7,236	6,715	(2,671)	4,044
Due from / to shareholders' operations, net	(25,845)	25,845	--	10,241	(10,241)	--
Due to policy holders	(2,896)	--	(2,896)	(2,829)	--	(2,829)
Accrued expenses and other liabilities	(10,039)	(2,060)	(12,099)	(9,851)	105	(9,746)
Due to reinsurers	8,320	--	8,320	(19,615)	--	(19,615)
Due to brokers	2,203	--	2,203	6,964	--	6,964
Unearned premiums	55,983	--	55,983	(2,084)	--	(2,084)
Unearned reinsurance commission	775	--	775	(444)	--	(444)
Outstanding claims	(8,106)	--	(8,106)	8,124	--	8,124
Claims incurred but not reported	(5,305)	--	(5,305)	(9,026)	--	(9,026)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 30 September 2018

17. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows (continued)

For the nine-month period ended

	30 September, 2018 (Unaudited)			30 September, 2017 (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 (continued)						
Changes in operating assets and liabilities: (continued)						
Other technical reserves	(661)	--	(661)	383	--	383
Employees' end of service benefits, net	(2,106)	--	(2,106)	(11)	--	(11)
	(3,709)	27,537	23,828	(18,604)	(12,807)	(31,411)
Zakat paid	--	(5,419)	(5,419)	--	(4,825)	(4,825)
Surplus paid to policy holders	(1,110)	--	(1,110)	--	--	--
Net cash from / (used in) operating activities	3,186	8,807	11,993	(14,114)	(3,644)	(17,758)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	(2,254)	--	(2,254)	(2,443)	--	(2,443)
Purchase of investments held at FVIS	--	(4,217)	(4,217)	--	--	--
Disposal of investments held at FVIS	--	3,797	3,797	--	--	--
Maturity of Murabaha deposits	--	--	--	100,000	--	100,000
Net cash (used in) / from investing activities	(2,254)	(420)	(2,674)	97,557	--	97,557
NET CHANGE IN CASH AND CASH EQUIVALENTS	932	8,387	9,319	83,443	(3,644)	79,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	109,278	1,490	110,768	23,933	4,986	28,919
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	110,210	9,877	120,087	107,376	1,342	108,718

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2018

18. COMPARATIVE FIGURES

- (a) Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation. These changes as summarised below, were mainly to conform with SAMA requirements:
- As discussed in note 2 to these interim condensed financial statements, previously interim statement of financial position, interim statements of income and cash flows were presented separately for insurance operations and shareholders operations, which are now combined together to present the Company level interim condensed statement of financial position, interim condensed statement of income and interim condensed statement of cash flows.
 - The amounts "due to/from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated.
 - Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income.
- (b) The Company has made adjustments in prior periods during the period in relation to erroneous recording of SAMA regulatory fees from 2010 to 2017. As a consequence, reported net income / (loss) was overstated resulting in overstatement of retained earnings in prior years. The error has been corrected by the Company during the period by restating prior periods reported accumulated losses as follows:

	31 December 2017	1 January 2017
	SR'000	SR'000
Accumulated losses as per audited financial statements	(3,245)	(5,869)
Prior periods adjustment from 2010 to 2016	(1,445)	(1,445)
Prior period adjustment relating to 2017	(125)	--
Accumulated losses as per restated financial statements	<u>(4,815)</u>	<u>(7,314)</u>

19. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on 24 October 2018 (corresponding to 15 Safar 1440H)