

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTHS PERIOD ENDED
31 MARCH 2019**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED
31 MARCH 2019**

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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 31 March 2019, and the related interim condensed statements of income, comprehensive income changes in shareholders' equity and cash flows for the three-months period 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" 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 31 March 2019, 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 Ayouly & Co.

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

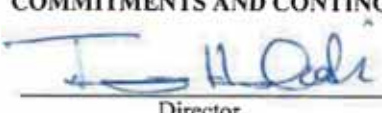


Ahmed Tayseer Ibrahim
Certified Public Accountant
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Jeddah, Kingdom of Saudi Arabia
7 Ramadan 1440H
12 May 2019

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March

		31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
	Notes		
ASSETS			
Cash and cash equivalents	4	154,570	90,387
Investment in Murabaha deposits	5	—	82,000
Premiums receivable, net	6	69,029	48,465
Due from reinsurers, net		17,266	16,857
Reinsurers' share of unearned premiums	8.2	43,455	35,607
Reinsurers' share of outstanding claims	8.1	34,679	45,365
Reinsurers' share of claims incurred but not reported	8.1	16,419	14,776
Reinsurers' excess of loss claims		1,978	3,644
Deferred policy acquisition costs		7,799	6,224
Investments	7	45,544	39,431
Prepayments and other assets		18,404	10,656
Property and equipment		4,417	4,160
Intangible assets		2,219	2,126
Goodwill	1.b	36,260	36,260
Statutory deposit	1.a	20,000	20,000
Accrued interest on statutory deposit	1.a	1,485	1,347
TOTAL ASSETS		473,524	457,305
LIABILITIES			
Due to policyholders		6,242	7,926
Accrued expenses and other liabilities		7,756	8,907
Due to reinsurers		7,254	11,323
Due to brokers		19,961	18,176
Unearned premiums	8.2	125,045	101,854
Unearned reinsurance commission		8,029	5,878
Outstanding claims	8.1	57,618	68,443
Claims incurred but not reported	8.1	34,367	31,248
Provision for premium deficiency reserve	8.1	12,418	11,004
Other technical reserves	8.1	3,748	3,740
End of service indemnities		7,254	7,754
Surplus distribution payable		9,078	9,078
Accrued Zakat	14	12,500	11,500
Accrued interest on statutory deposit	1.a	1,485	1,347
TOTAL LIABILITIES		312,755	298,178
SHAREHOLDERS' EQUITY			
Share capital	15	200,000	200,000
Statutory reserve		2,165	2,165
Accumulated losses		(41,396)	(43,038)
TOTAL EQUITY		160,769	159,127
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		473,524	457,305
COMMITMENTS AND CONTINGENCIES	9	300	300
 <div style="display: flex; justify-content: space-around;"> <div>Director</div> <div>  Chief Financial Officer </div> <div>  Chief Executive Officer </div> </div>			

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-months period ended 31 March 2019

		31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
	Notes	SR'000	SR'000
REVENUES			
Gross written premiums	10	85,365	94,446
Less: Reinsurance contracts premiums ceded			
- Local reinsurance		(1,321)	(10,425)
- Foreign reinsurance		(28,991)	(35,936)
Excess of loss expenses		(3,216)	(1,228)
Net written premiums		51,837	46,857
Movement in net unearned premiums		(15,343)	(25,576)
Net premiums earned	8.2	36,494	21,281
Commission earned on ceded reinsurance		6,714	4,179
Other underwriting income		30	498
TOTAL REVENUES		43,238	25,958
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		51,884	40,637
Expenses incurred related to claims		1,690	1,420
Less: Reinsurers' share of claims paid		(26,171)	(25,305)
Net claims and other benefits paid		27,403	16,752
Change in net outstanding claims, net		1,527	(2,223)
Changes in IBNR, net		1,477	(137)
Net claims and other benefits incurred		30,407	14,392
Provision / (reversal) for premium deficiency reserve		1,416	(1,416)
Other technical reserves		7	673
Policy acquisition costs		3,983	3,435
TOTAL UNDERWRITING COSTS AND EXPENSES		35,813	17,084
NET UNDERWRITING INCOME		7,425	8,874


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 INCOME (Unaudited) (continued)
For the three-months period ended 31 March 2019

		31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
	Notes		
OTHER OPERATING INCOME / (EXPENSES)			
Reversal for impairment of doubtful debts		645	233
General and administration expenses		(14,800)	(13,597)
Commission income on deposits		1,096	669
Unrealized gain on investments	7	6,113	2,772
Other income		2,163	1,085
TOTAL OTHER OPERATING EXPENSES		(4,783)	(8,838)
NET INCOME FOR THE PERIOD		2,642	36
NET INCOME ATTRIBUTED TO THE INSURANCE OPERATIONS	18	--	--
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS		2,642	36
EARNINGS PER SHARE (Expressed in SR per share)	17	0.132	0.002


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 COMPREHENSIVE INCOME (Unaudited)
For the three-months period ended 31 March 2019

	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS	2,642	36
Other comprehensive income / (loss)		
<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 FOR THE PERIOD	2,642	36


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 SHAREHOLDERS' EQUITY (Unaudited)
For the three-months period ended 31 March 2019

	<i>For the three-months period ended 31 March 2019</i>			
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
2019	<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)	159,127
Total comprehensive income for the period attributable to the shareholders				
Net income for the period attributable to the shareholders	--	--	2,642	2,642
	200,000	2,165	(40,396)	161,769
Provision for Zakat for the period (note 14.1)	--	--	(1,000)	(1,000)
Balance as at 31 March 2019 (unaudited)	200,000	2,165	(41,396)	160,769

	<i>For the three-months period ended 31 March 2018</i>			
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
2018	<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 18.b)	200,000	2,165	(4,815)	197,350
Total comprehensive income for the period attributable to the shareholders				
Net income for the period attributable to the shareholders	--	--	36	36
	200,000	2,165	(4,779)	197,386
Provision for Zakat for the period (note 14.1)	--	--	(1,194)	(1,194)
Balance as at 31 March 2018 (unaudited)	200,000	2,165	(5,973)	196,192


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 CASH FLOWS (Unaudited)
For the three-months period ended 31 March 2019

	Notes	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		2,642	36
Adjustments for non-cash items:			
Depreciation		377	332
Amortization		185	87
Reversal for impairment of premiums receivable	6	(1,024)	(350)
Allowance of impairment of reinsurance receivables		379	116
Provision / (reversal) for premium deficiency reserve		1,414	(1,416)
Unrealized gain on investments held at FVIS	7	(6,113)	(2,772)
		(2,140)	(3,967)
Changes in operating assets and liabilities:			
Premiums receivable, net		(19,540)	(34,434)
Due from reinsurers		(788)	(2,950)
Reinsurers' share of unearned premiums		(7,848)	(23,260)
Reinsurer's share of outstanding claims		10,686	16,816
Reinsurer's share of claims incurred but not reported		(1,643)	53
Deferred excess of loss claims		1,666	3,152
Deferred policy acquisition costs		(1,575)	(1,858)
Prepayments and other assets		(7,748)	772
Due to policyholders		(1,684)	(4,154)
Accrued expenses and other liabilities		(1,151)	(12,020)
Due to reinsurers		(4,069)	17,485
Due to brokers		1,785	1,989
Unearned premiums		23,191	48,836
Unearned reinsurance commission		2,151	2,509
Outstanding claims		(10,825)	(22,192)
Claims incurred but not reported		3,119	(190)
Other technical reserves		8	674
End of service indemnities, net		(500)	(463)
		(14,765)	(9,235)
Zakat paid	14	--	--
Surplus paid to policyholders		--	(956)
Net cash generated used in operating activities		(16,905)	(14,158)


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 CASH FLOWS (Unaudited) (continued)
For the three-months period ended 31 March 2019

	Notes	31 March 2019 (Unaudited) SR'000	31 March 2018 (Unaudited) SR'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(634)	(288)
Purchase of intangible assets		(278)	(72)
Purchase of investments held at FVIS	7	--	(4,217)
Disposal of investments held at FVIS	7	--	--
Maturity of Murabaha deposits		82,000	--
Net cash generated from / (used in) investing activities		81,088	(4,577)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		64,183	(18,735)
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	154,570	92,033


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)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 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 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:

<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 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%
	<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 31 March 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) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The interim condensed financial statements for the three months period ended 31 March 2019 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 11 April, 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 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 29 to 35 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 31 March 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

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.

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

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)	1 January 2018
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 31 March 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.

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

As at 31 March 2019

4. CASH AND CASH EQUIVALENTS

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

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand	41	30
Cash at banks (see note below)	2,430	13,597
Investment in Murabaha deposits with maturity less than three months	67,000	74,000
	<u>69,471</u>	<u>87,627</u>
<i>Shareholders' operations</i>		
Cash at banks	3,099	2,760
Investment in Murabaha deposits with maturity less than three months	82,000	--
	<u>85,099</u>	<u>2,760</u>
Total of cash and cash equivalents	<u>154,570</u>	<u>90,387</u>

- a) At 31 March 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. INVESTMENT IN MURABAHA DEPOSITS

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
<i>Insurance operations</i>		
Investment in Murabaha deposits	67,000	74,000
Less: investment in Murabaha deposits with maturity less than three months (see note 4)	(67,000)	(74,000)
	<u>--</u>	<u>--</u>
<i>Shareholders' operations</i>		
Investment in Murabaha deposits	82,000	82,000
Less: investment in Murabaha deposits with maturity less than three months (see note 4)	(82,000)	--
	<u>--</u>	<u>82,000</u>
Total of investment in Murabaha deposits	<u>--</u>	<u>82,000</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

6. PREMIUMS RECEIVABLE, NET

Premium receivables comprise amounts due from the following:

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Policyholders	82,761	66,771
Related parties (note 13)	7,769	4,219
	90,530	70,990
Allowance for impairment of premiums receivables (see note below)	(21,501)	(22,525)
	69,029	48,465

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

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Balance at the beginning of the period / year	22,525	20,371
(Reversal) / addition during the period / year	(1,024)	2,154
Balance at the end of the period / year	21,501	22,525

7. INVESTMENTS

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Shareholders' operations		
Investments held at fair value through income statement (FVIS) (note 7.a)	43,621	37,508
Available-for-sale investment (note 7.b)	1,923	1,923
	45,544	39,431

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

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

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Balance at the beginning of the period / year	37,508	33,592
Purchases during the period / year	--	4,217
Disposals during the period / year	--	(4,965)
Realized gain during the period / year	--	396
Unrealized gain during the period / year	6,113	4,268
Balance at the end of the period / year	43,621	37,508

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

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 43.6 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>31 March 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Outstanding claims	57,618	68,443
Claims incurred but not reported	34,367	31,248
Provision for premium deficiency reserve	12,418	11,004
Other technical reserves	3,748	3,740
	<u>108,151</u>	<u>114,435</u>
Less:		
Reinsurers' share of outstanding claims	34,679	45,365
Reinsurers' share of claims incurred but not reported	16,419	14,776
	<u>51,098</u>	<u>60,141</u>
Net outstanding claims and reserves	<u><u>57,053</u></u>	<u><u>54,294</u></u>

8.2. MOVEMENT IN UNEARNED PREMIUMS

Movement in unearned premiums comprise of the following:

	<i>Three-months ended 31 March 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	85,365	(33,528)	51,837
Premiums earned during the period	(62,174)	25,680	(36,494)
Balance as at the end of the period	<u><u>125,045</u></u>	<u><u>(43,455)</u></u>	<u><u>81,590</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. COMMITMENTS AND CONTINGENCIES

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

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Letters of guarantee	300	300
Total	300	300

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.

10. GROSS WRITTEN PREMIUMS

For the three-months period ended 31 March 2019 (Unaudited)						
	Corporate					
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	2,477	516	13,170	16,163	3	16,166
Motor	9,679	2916	6,304	18,899	18,531	37,430
Property & accident	3,875	3748	23,425	31,048	721	31,769
Protection & savings	--	--	--	--	--	--
	16,031	7,180	42,899	66,110	19,255	85,365

For the three-months period ended 31 March 2018 (Unaudited)						
	Corporate					
	Small SR '000	Medium SR '000	Large SR '000	Total Corporate SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	10,936	777	13,568	25,281	54	25,335
Motor	8,046	3741	4,042	15,829	17,841	33,670
Property & accident	3,123	3964	27,621	34,708	733	35,441
Protection & savings	--	--	--	--	--	--
	22,105	8,482	45,231	75,818	18,628	94,446

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 31 March 2019 and 31 December 2018, all financial instruments which are fair valued are Level 1 instruments amounting to SR 43.6 million (2018: SR 37.5 million).
- As at 31 March 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-months period ended 31 March 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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

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 31 March 2019 and 31 December 2018, its total revenues, expenses, and net income for the three-months period then ended, are as follows:

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12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019 (Unaudited)

As at 31 March 2019 (Unaudited)	Insurance Operations						
	Medical SR'000	Motor SR'000	Property SR'000	Engineering SR'000	Marine SR'000	Accident & liability	Shareholders'
						SR'000	Operations SR'000
							Total SR'000
Assets							
Reinsurers' share of unearned premiums	2,506	13,666	14,846	3,860	4,201	4,376	43,455
Reinsurers' share of outstanding claims	10,446	1,841	10,909	3,508	3,959	4,016	34,679
Reinsurers' share of claims incurred but not reported	3,630	2,843	5,566	1,096	1,452	1,832	16,419
Deferred policy acquisition costs	393	3,772	1,536	467	585	1,046	7,799
Unallocated assets	--	--	--	--	--	--	188,498
Total assets	16,975	22,122	32,857	8,931	10,197	11,270	188,498
Liabilities							
Unearned premiums	18,348	70,759	16,323	4,285	6,079	9,251	125,045
Unearned reinsurance commission	--	1,196	3,067	965	1,506	1,295	8,029
Outstanding claims	14,093	14,330	12,329	3,770	5,369	7,727	57,618
Claims incurred but not reported	6,176	15,064	6,392	1,288	2,241	3,206	34,367
Provision for premium deficiency reserve	2,080	7,841	383	426	--	1,688	12,418
Other technical reserves	--	1,571	1,363	454	148	212	3,748
Unallocated liabilities	--	--	--	--	--	--	16,617
Total liabilities	40,697	110,761	39,857	11,188	15,343	23,379	16,617
							312,755

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

12. OPERATING SEGMENTS (continued)

	Insurance Operations							
					Shareholders'		Total	
	Medical	Motor	Property	Engineering	Marine	Accident & liability		Total Insurance Operations
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Assets								
Reinsurers' share of unearned premiums	5,971	10,231	9,608	3,535	3,133	3,129	--	35,607
Reinsurers' share of outstanding claims	11,470	1,590	22,010	2,945	4,120	3,230	--	45,365
Reinsurers' share of claims incurred but not reported	2,318	2,342	6,714	1,100	1,225	1,077	--	14,776
Deferred policy acquisition costs	445	3,036	1,120	412	510	701	--	6,224
Unallocated assets	--	--	--	--	--	--	181,983	355,333
Total assets	20,204	17,199	39,452	7,992	8,988	8,137	181,983	457,305
Liabilities								
Unearned premiums	11,175	65,427	10,427	3,941	4,435	6,449	--	101,854
Unearned reinsurance commission	-	973	2,027	834	1,201	843	--	5,878
Outstanding claims	14,265	12,873	25,936	3,172	5,656	6,541	--	68,443
Claims incurred but not reported	4,129	14,193	7,463	1,269	1,946	2,248	--	31,248
Provision for premium deficiency reserve	884	8,163	1,091	375	--	491	--	11,004
Other technical reserves	--	1,470	1,599	362	143	166	--	3,740
Unallocated liabilities	--	--	--	--	--	--	15,085	76,011
Total liabilities	30,453	103,099	48,543	9,953	13,381	16,738	15,085	298,178

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the three-months period ended 31 March 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	16,166	37,430	13,833	2,413	6,071	9,452	85,365
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(804)	(81)	(309)	(127)	(1,321)
- Foreign reinsurance	(178)	(7,828)	(11,695)	(2,103)	(3,884)	(3,303)	(28,991)
Excess of loss expenses	(558)	(1,320)	(1,290)	--	(48)	--	(3,216)
Net written premiums	15,430	28,282	44	229	1,830	6,022	51,837
Movement in net unearned premiums	(10,638)	(1,896)	(657)	(20)	(577)	(1,555)	(15,343)
Net premiums earned	4,792	26,386	(613)	209	1,253	4,467	36,494
Reinsurance commissions	--	3,076	1,529	442	1,135	532	6,714
Other underwriting income	1	9	3	2	8	7	30
TOTAL REVENUES	4,793	29,471	919	653	2,396	5,006	43,238
Gross claims paid	12,343	25,435	12,679	(13)	994	446	51,884
Expenses incurred related to claims	791	899	--	--	--	--	1,690
Less: Reinsurers' share of claims paid	(9,748)	(4,091)	(11,455)	5	(572)	(310)	(26,171)
Net claims and other benefits paid	3,386	22,243	1,224	(8)	422	136	27,403
Changes in net outstanding claims, net	852	1,205	(840)	35	(125)	400	1,527
Changes in IBNR, net	735	371	78	24	68	201	1,477
Net claims and other benefits incurred	4,973	23,819	462	51	365	737	30,407
Provision / (reversal) for premium deficiency reserve	1,197	(321)	(708)	50	--	1,198	1,416
Other technical reserves	--	100	(236)	93	4	46	7
Policy acquisition costs	295	1,740	792	217	491	448	3,983
TOTAL UNDERWRITING COSTS AND EXPENSES	6,465	25,338	310	411	860	2,429	35,813
NET UNDERWRITING (LOSS) / INCOME	(1,672)	4,133	609	242	1,536	2,577	7,425

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-months period ended 31 March 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	(1,672)	4,133	609	242	1,536	2,577	7,425
OTHER OPERATING (EXPENSES) / INCOME							
Reversal for impairment of doubtful debts							645
General and administration expenses							(14,800)
Commission income on deposits							1,096
Unrealized gain on investments							6,113
Other income							2,163
TOTAL OTHER OPERATING EXPENSES							(4,783)
Net income for the period							2,642
Total income attributed to insurance operations							--
Net income for the period attributable to the shareholders							2,642

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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 three-months period ended 31 March 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	25,335	33,670	14,867	3,324	5,992	11,258	94,446
Less: Reinsurance contracts premiums ceded							
- Local reinsurance	--	--	(8,022)	(887)	(191)	(1,325)	(10,425)
- Foreign reinsurance	(16,715)	(5,731)	(5,765)	(2,065)	(3,679)	(1,981)	(35,936)
Excess of loss expenses	--	(626)	(563)	--	(39)	--	(1,228)
Net written premiums	8,620	27,313	517	372	2,083	7,952	46,857
Movement in net unearned premiums	(5,150)	(17,899)	(261)	(107)	(536)	(1,623)	(25,576)
Net premiums earned	3,470	9,414	256	265	1,547	6,329	21,281
Reinsurance commissions	--	267	1,639	571	1,171	531	4,179
Other underwriting income	1	478	4	2	6	7	498
TOTAL REVENUES	3,471	10,159	1,899	838	2,724	6,867	25,958
Gross claims paid	5,857	15,069	15,183	3,511	389	628	40,637
Expenses incurred related to claims	1,097	323	--	--	--	--	1,420
Less: Reinsurers' share of claims paid	(4,517)	(2,381)	(14,417)	(3,336)	(218)	(436)	(25,305)
Net claims and other benefits paid	2,437	13,011	766	175	171	192	16,752
Changes in net outstanding claims, net	370	(2,808)	(666)	257	313	311	(2,223)
Changes in IBNR, net	318	309	(754)	58	(29)	(39)	(137)
Net claims and other benefits incurred	3,125	10,512	(654)	490	455	464	14,392
Provision / (reversal) for premium deficiency reserve	291	--	(1,793)	12	74	--	(1,416)
Other technical reserves	--	365	(113)	425	(1)	(3)	673
Policy acquisition costs	187	1,240	759	269	545	435	3,435
TOTAL UNDERWRITING COSTS AND EXPENSES	3,603	12,117	(1,801)	1,196	1,073	896	17,084
NET UNDERWRITING (LOSS) / INCOME	(132)	(1,958)	3,700	(358)	1,651	5,971	8,874

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2019

12. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-months period ended 31 March 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 (LOSS) / INCOME	(132)	(1,958)	3,700	(358)	1,651	5,971	8,874
OTHER OPERATING (EXPENSES) / INCOME							
Reversal for impairment of doubtful debts							233
General and administration expenses							(13,597)
Commission income on deposits							669
Unrealized gain on investments							2,772
Other income							1,085
TOTAL OTHER OPERATING EXPENSES							(8,838)
Net income for the period							36
Total income attributed to insurance operations							--
Net income for the period attributable to the shareholders							36

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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:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Transactions for the three-months period ended</u>		<u>Balance receivable / (payable) as at</u>	
			<u>31 March 2019</u> <i>(Unaudited)</i> SR'000	<u>31 March 2018</u> <i>(Unaudited)</i> SR'000	<u>31 March 2019</u> <i>(Unaudited)</i> SR'000	<u>31 December 2018 (Audited)</u> SR'000
<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 (note 6) Claims paid	619 --	601 (11)	50 (4)	10 (4)
Dabbagh Group	Related to shareholders	Premiums underwritten (note 6) Claims paid	3,936 (783)	3,609 (566)	4,018 (1,209)	2,574 (712)
Farouk, Maamoun Tamer & Company	Shareholder	Premiums underwritten (note 6) Claims paid	6,397 (321)	7,509 (408)	3,701 (3,718)	1,635 (3,013)
Key Management Personnel		Short-term benefits Long-term benefits	(678) (55)	(498) (26)	-- (439)	-- (385)
<i>Shareholders' operations</i>						
Board of Directors		Board of Directors remuneration and related expenses	450	450	(2,250)	(1,800)
a)	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 31 March 2019

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 three-months period ended 31 March 2019 and the year ended 31 December 2018 are as follows:

	31 March 2019 (Unaudited) SR'000	31 December 2018 (Audited) SR'000
Balance at the beginning of the period / year	11,500	13,032
Charge for the period / year	1,000	3,886
Charge relating to prior periods / years	--	5,538
Paid during the period / year	--	(10,956)
	<hr/>	<hr/>
Balance at the end of the period / year	12,500	11,500
	<hr/>	<hr/>

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
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 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>31 March 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

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>31 March 2019 (Unaudited) SR'000</i>	<i>31 December 2018 (Audited) SR'000</i>
Available capital	101,578	101,381
Minimum regulatory capital	(100,000)	(100,000)
Surplus capital	1,578	1,381

17. EARNINGS PER SHARE

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

Diluted 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 31 March 2019

18. SUPPLEMENTARY INFORMATION

Interim Condensed Statement of Financial Position

	31 March, 2019 (Unaudited)			31 December, 2018 (Audited)		
	<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	69,471	85,099	154,570	87,627	2,760	90,387
Investment in Murabaha deposits	--	--	--	--	82,000	82,000
Premiums receivable, net	69,029	--	69,029	48,465	--	48,465
Due from reinsurers, net	17,266	--	17,266	16,857	--	16,857
Reinsurers' share of unearned premiums	43,455	--	43,455	35,607	--	35,607
Reinsurers' share of outstanding claims	34,679	--	34,679	45,365	--	45,365
Reinsurers' share of claims incurred but not reported	16,419	--	16,419	14,776	--	14,776
Deferred excess of loss claims	1,978	--	1,978	3,644	--	3,644
Deferred policy acquisition costs	7,799	--	7,799	6,224	--	6,224
Investments	--	45,544	45,544	--	39,431	39,431
Due to insurance operations	--	(11,112)	(11,112)	--	(7,771)	(7,771)
Prepayments and other assets	18,294	110	18,404	10,471	185	10,656
Property and equipment	4,417	--	4,417	4,160	--	4,160
Intangible assets	2,219	--	2,219	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	--	1,485	1,485	--	1,347	1,347
TOTAL OPERATIONS ASSETS	285,026	177,386	462,412	275,322	174,212	449,534
Less: Inter-operations eliminations	--	11,112	11,112	--	7,771	7,771
TOTAL ASSETS	285,026	188,498	473,524	275,322	181,983	457,305

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 31 March 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Financial Position (continued)

	31 March, 2019 (Unaudited)			31 December, 2018 (Audited)		
	<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	6,242	--	6,242	7,926	--	7,926
Accrued expenses and other liabilities	5,124	2,632	7,756	6,669	2,238	8,907
Due to reinsurers	7,254	--	7,254	11,323	--	11,323
Due to brokers	19,961	--	19,961	18,176	--	18,176
Unearned premiums	125,045	--	125,045	101,854	--	101,854
Unearned reinsurance commission	8,029	--	8,029	5,878	--	5,878
Outstanding claims	57,618	--	57,618	68,443	--	68,443
Claims incurred but not reported	34,367	--	34,367	31,248	--	31,248
Provision for premium deficiency reserve	12,418	--	12,418	11,004	--	11,004
Other technical reserves	3,748	--	3,748	3,740	--	3,740
Due from shareholders' operations	(11,112)	--	(11,112)	(7,771)	--	(7,771)
End of service indemnities	7,254	--	7,254	7,754	--	7,754
Surplus distribution payable	9,078	--	9,078	9,078	--	9,078
Accrued Zakat	--	12,500	12,500	--	11,500	11,500
Accrued return on statutory deposit	--	1,485	1,485	--	1,347	1,347
TOTAL OPERATIONS LIABILITIES	285,026	16,617	301,643	275,322	15,085	290,407
Less: Inter-operations eliminations	11,112	--	11,112	7,771	--	7,771
TOTAL LIABILITIES	296,138	16,617	312,755	283,093	15,085	298,178
SHAREHOLDERS' EQUITY						
Share capital	--	200,000	200,000	--	200,000	200,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(41,396)	(41,396)	--	(43,038)	(43,038)
TOTAL EQUITY	--	160,769	160,769	--	159,127	159,127
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	296,138	177,386	473,524	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 31 March 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income

For the three-months period ended

	31 March, 2019 (Unaudited)		31 March, 2018 (Unaudited)	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>Total</i>	<i>Total</i>	<i>Total</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUES				
Gross written premiums	85,365	--	94,446	--
Less: Reinsurance contracts premiums ceded				
- Local reinsurance	(1,321)	--	(10,425)	--
- Foreign reinsurance	(28,991)	--	(35,936)	--
Excess of loss expenses	(3,216)	--	(1,228)	--
Net written premiums	51,837		46,857	
Movement in net unearned premiums	(15,343)	--	(25,576)	--
Net premiums earned	36,494		21,281	
Commission earned on ceded reinsurance	6,714	--	4,179	--
Other underwriting income	30	--	498	--
TOTAL REVENUES	43,238		25,958	
UNDERWRITING COSTS AND EXPENSES				
Gross claims paid	51,884	--	40,637	--
Expenses incurred related to claims	1,690	--	1,420	--
Less: Reinsurers' share of claims paid	(26,171)	--	(25,305)	--
Net claims and other benefits paid	27,403		16,752	
Change in net outstanding claims, net	1,527	--	(2,223)	--
Changes in IBNR, net	1,477	--	(137)	--
Net claims and other benefits incurred	30,407		14,392	
Provision / (reversal) for premium deficiency reserve	1,416	--	(1,416)	--
Other technical reserves	7	--	673	--
Policy acquisition costs	3,983	--	3,435	--
TOTAL UNDERWRITING COSTS AND EXPENSES	35,813		17,084	
NET UNDERWRITING INCOME	7,425		8,874	

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 31 March 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Income (continued)

For the three-months period ended

	31 March, 2019 (Unaudited)			31 March, 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)						
Reversal for impairment of doubtful debts	645	--	645	233	--	233
General and administration expenses	(13,614)	(1,186)	(14,800)	(12,681)	(916)	(13,597)
Commission income on deposits	508	588	1,096	249	420	669
Unrealized gain on investments	--	6,113	6,113	--	2,772	2,772
Other income	2,163	--	2,163	1,082	3	1,085
TOTAL OTHER OPERATING (EXPENSES) / INCOME	(10,298)	5,515	(4,783)	(11,117)	2,279	(8,838)
NET (DEFICIT) / SURPLUS FROM INSURANCE / SHAREHOLDERS' OPERATIONS	(2,873)	5,515	2,642	(2,243)	2,279	36
DEFICIT TRANSFERRED TO SHAREHOLDERS (note 1.a)	2,873	(2,873)	-	2,243	(2,243)	--
NET INCOME FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS	-	2,642	2,642	--	36	36
EARNINGS PER SHARE (Expressed in SR per share)	--	0.132	--	--	0.002	--

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 31 March 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Comprehensive income

For the three-months period ended

	31 March, 2019 (Unaudited)			31 March, 2018 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
NET INCOME FOR THE PERIOD AFTER TRANSFER OF DEFICIT TO THE SHAREHOLDERS						
<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 FOR THE PERIOD	--	2,642	2,642	--	36	36
Less: Net income attributable to insurance operations			--			--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			2,642			36

**GULF GENERAL COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 31 March 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows

For the three-months period ended

	31 March, 2019 (Unaudited)			31 March, 2018 (Unaudited)		
	<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 income for the period	--	2,642	2,642	--	36	36
Adjustments for non-cash items:						
Depreciation	377	--	377	332	--	332
Amortization	185	--	185	87	--	87
Reversal for impairment of premiums receivable	(1,024)	--	(1,024)	(350)	--	(350)
Allowance for impairment of reinsurance receivables	379	--	379	116	--	116
Provision / (reversal) for premium deficiency reserve	1,414	--	1,414	(1,416)	--	(1,416)
Unrealized gain on investments held at FVIS		(6,113)	(6,113)	--	(2,772)	(2,772)
	1,331	(3,471)	(2,140)	(1,231)	(2,736)	(3,967)
Changes in operating assets and liabilities:						
Premiums receivable, net	(19,540)	--	(19,540)	(34,434)	--	(34,434)
Due from reinsurers	(788)	--	(788)	(2,950)	--	(2,950)
Reinsurers' share of unearned premiums	(7,848)	--	(7,848)	(23,260)	--	(23,260)
Reinsurer's share of outstanding claims	10,686	--	10,686	16,816	--	16,816
Reinsurer's share of claims incurred but not reported	(1,643)	--	(1,643)	53	--	53
Deferred excess of loss claims	1,666	--	1,666	3,152	--	3,152
Deferred policy acquisition costs	(1,575)	--	(1,575)	(1,858)	--	(1,858)
Prepayments and other assets	(7,823)	75	(7,748)	(4,108)	4,880	772
Due from shareholders' operations, net	(3,341)	3,341	--	(2,792)	2,792	--
Due to policyholders	(1,684)	--	(1,684)	(4,154)	--	(4,154)
Accrued expenses and other liabilities	(1,545)	394	(1,151)	(12,571)	551	(12,020)
Due to reinsurers	(4,069)	--	(4,069)	17,485	--	17,485
Due to brokers	1,785	--	1,785	1,989	--	1,989
Unearned premiums	23,191	--	23,191	48,836	--	48,836
Unearned reinsurance commission	2,151	--	2,151	2,509	--	2,509
Outstanding claims	(10,825)	--	(10,825)	(22,192)	--	(22,192)
Claims incurred but not reported	3,119	--	3,119	(190)	--	(190)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
As at 31 March 2019

18. SUPPLEMENTARY INFORMATION (continued)

Interim Condensed Statement of Cash flows (continued)

For the three-months period ended

	31 March, 2019 (Unaudited)		31 March, 2018 (Unaudited)	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>Total</i>	<i>Total</i>		<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>		<i>SR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
Changes in operating assets and liabilities: (continued)				
Other technical reserves	8	--	674	--
Employees' end of service benefits, net	(500)	--	(463)	--
	<u>(18,575)</u>	<u>3,810</u>	<u>(17,458)</u>	<u>8,223</u>
Zakat paid	--	--	--	--
Surplus paid to policyholders	--	--	(956)	--
	<u>(17,244)</u>	<u>339</u>	<u>(19,645)</u>	<u>5,487</u>
Net cash used in operating activities				<u>(14,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(634)	--	(288)	--
Purchase of intangible assets	(278)	--	(72)	--
Purchase of investments held at FVIs	--	--	--	(4,217)
Maturity of Murabaha deposits	--	82,000	--	--
	<u>(912)</u>	<u>82,000</u>	<u>(360)</u>	<u>(4,217)</u>
Net cash from / (used in) investing activities				<u>(4,577)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(18,156)</u>	<u>82,339</u>	<u>(20,005)</u>	<u>1,270</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>87,627</u>	<u>2,760</u>	<u>109,278</u>	<u>1,490</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>69,471</u>	<u>85,099</u>	<u>89,273</u>	<u>2,760</u>
				<u>92,033</u>

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

As at 31 March 2019

19. 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 to 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 were 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 the statement of income.
- b) The Company has made adjustments in prior periods 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 previous period by restating prior periods reported accumulated losses as follows:

**31 December
2017
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	(4,815)
	<hr/>

20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on 29 April 2019 (corresponding to 24 Shaban 1440H).