

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 2016**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2016**

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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

Scope of review

We have reviewed the accompanying interim statement of financial position of Gulf General Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at 30 June 2016, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three-month and six-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six-month period then ended and related notes from 1 to 12 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

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

Emphasis of matter

We draw attention to the fact that the interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

for KPMG Al Fozan & Partners
 Certified Public Accountants

Ebrahim Oboud Baeshen
 Certified Public Accountant
 Licence No. 382



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 Allied Accountants

Ibrahim A. Al Bassam
 Certified Public Accountant
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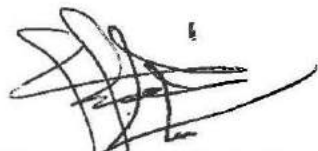
Jeddah, Kingdom of Saudi Arabia
 23 Shawwal 1437H
 28 July 2016

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| | <i>Notes</i> | 30 June 2016 (Unaudited) SR'000 | 31 December 2015 (Audited) SR'000 |
|---|--------------|--|--|
| INSURANCE OPERATIONS' ASSETS | | | |
| Cash and cash equivalents | 3 | 57,744 | 67,246 |
| Investment in Murabaha deposits | 4 | 82,000 | — |
| Premiums receivable, net | 5 | 94,446 | 69,930 |
| Reinsurers' share of unearned premiums | | 59,284 | 54,777 |
| Reinsurers' share of outstanding claims | | 79,198 | 113,815 |
| Deferred policy acquisition costs | | 11,226 | 7,996 |
| Due from reinsurers | | 15,811 | 10,834 |
| Prepayments and other assets | | 17,480 | 16,967 |
| Due from shareholders' operations | | — | 67,541 |
| Furniture, fittings and office equipment | | 1,829 | 1,796 |
| Total insurance operations' assets | | 419,018 | 410,902 |
| SHAREHOLDERS' ASSETS | | | |
| Cash and cash equivalents | 3 | 87,557 | 84,666 |
| Investment in Murabaha deposits | 4 | — | 77,338 |
| Fair value through income statement investments | 6(a) | 30,669 | 34,546 |
| Available-for-sale investment | 6(b) | 1,923 | 1,923 |
| Prepayments and other assets | | 1,488 | 1,306 |
| Due from insurance operations | | 16,569 | — |
| Goodwill | 1 (b) | 36,260 | 36,260 |
| Return on investment of statutory deposit | | 130 | — |
| Statutory deposit | | 20,000 | 20,000 |
| Total shareholders' assets | | 194,596 | 256,039 |
| TOTAL ASSETS | | 613,614 | 666,941 |



Director



for Chief Financial Officer



Chief Executive Officer

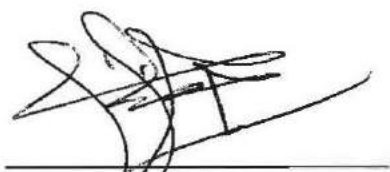
The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

| | <i>Notes</i> | 30 June 2016 (Unaudited) SR'000 | 31 December 2015 (Audited) SR'000 |
|--|--------------|--|--|
| INSURANCE OPERATIONS' LIABILITIES AND SURPLUS | | | |
| Insurance operations' liabilities | | | |
| Unearned premiums | | 135,695 | 112,209 |
| Provision for premium deficiency | | 5,683 | 3,976 |
| Outstanding claims | | 155,222 | 199,754 |
| Deferred commission income | | 10,573 | 9,218 |
| Due to reinsurers and brokers | | 58,782 | 57,175 |
| Due to policyholders | | 16,769 | 10,277 |
| Due to shareholders' operations | | 16,569 | -- |
| Accrued expenses and other liabilities | | 13,006 | 12,526 |
| Total insurance operations' liabilities | | 412,299 | 405,135 |
| Insurance operations' surplus | | | |
| Accumulated surplus from insurance operations | | 6,719 | 5,767 |
| Total insurance operations' liabilities and surplus | | 419,018 | 410,902 |
| SHAREHOLDERS' LIABILITIES AND EQUITY | | | |
| Shareholders' liabilities | | | |
| Accrued expenses and other liabilities | | 3,353 | 2,728 |
| Accrued Zakat | 7 | 11,892 | 9,491 |
| Accrued return on investment of statutory deposit | | 130 | -- |
| Due to insurance operations | | -- | 67,541 |
| Total shareholders' liabilities | | 15,375 | 79,760 |
| Shareholders' equity | | | |
| Share capital | | 200,000 | 200,000 |
| Statutory reserve | | 1,642 | 1,642 |
| Accumulated losses | | (22,421) | (25,363) |
| Total shareholders' equity | | 179,221 | 176,279 |
| Total shareholders' liabilities and equity | | 194,596 | 256,039 |
| TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY | | 613,614 | 666,941 |



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month and six-month periods ended 30 June 2016

| | Notes | Three-month period ended 30 June (Unaudited) | | Six-month period ended 30 June (Unaudited) | |
|---|-------|--|-----------------|--|-----------------|
| | | 2016 SR' 000 | 2015 SR' 000 | 2016 SR' 000 | 2015 SR' 000 |
| REVENUE | | | | | |
| Gross written premiums | | 60,988 | 102,169 | 178,555 | 244,603 |
| Less: Reinsurance contracts premiums ceded | | (27,371) | (57,761) | (83,521) | (124,284) |
| Net written premiums | | 33,617 | 44,408 | 95,034 | 120,319 |
| Movement in net unearned premiums | | 5,824 | (821) | (18,979) | (36,616) |
| Net premiums earned | | 39,441 | 43,587 | 76,055 | 83,703 |
| Commission earned on ceded reinsurance | | 5,828 | 7,208 | 12,754 | 15,111 |
| | | 45,269 | 50,795 | 88,809 | 98,814 |
| CLAIMS AND EXPENSES | | | | | |
| Gross claims paid | | 64,749 | 61,564 | 109,161 | 124,721 |
| Less: Reinsurers' share of claims | | (37,338) | (24,793) | (56,780) | (55,117) |
| Net claims paid | | 27,411 | 36,771 | 52,381 | 69,604 |
| Change in net outstanding claims | | (7,827) | (11,983) | (9,915) | (13,035) |
| Net claims incurred | | 19,584 | 24,788 | 42,466 | 56,569 |
| Policy acquisition costs | | 5,807 | 6,764 | 11,987 | 13,792 |
| (Reversal) / provision for premium deficiency reserve | | (1,771) | 5,542 | 1,707 | 5,542 |
| | | 23,620 | 37,094 | 56,160 | 75,903 |
| Net underwriting result | | 21,649 | 13,701 | 32,649 | 22,911 |
| Other income | | 2,866 | 302 | 4,812 | 629 |
| General and administration expenses | | (12,999) | (20,799) | (27,942) | (29,603) |
| SURPLUS / (DEFICIT) FROM INSURANCE OPERATIONS | | 11,516 | (6,796) | 9,519 | (6,063) |
| Shareholders' share of (surplus) / deficit from insurance operations | 2(a) | (10,564) | 6,723 | (8,567) | 6,063 |
| Policyholders' share of surplus / (deficit) from insurance operations | | 952 | (73) | 952 | -- |
| Accumulated surplus at the beginning of the period | | 5,767 | 5,840 | 5,767 | 5,767 |
| Accumulated surplus at the end of the period | | 6,719 | 5,767 | 6,719 | 5,767 |

Director

Chief Financial Officer

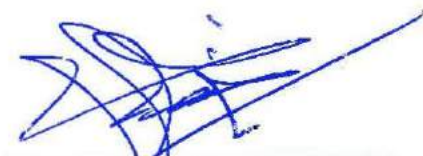
Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
For the three-month and six-month periods ended 30 June 2016

| | <i>Notes</i> | <i>Three-month period ended 30 June (Unaudited)</i> | | <i>Six-month period ended 30 June (Unaudited)</i> | |
|---|--------------|---|-------------------------|---|-------------------------|
| | | <i>2016 SR' 000</i> | <i>2015 SR' 000</i> | <i>2016 SR' 000</i> | <i>2015 SR' 000</i> |
| REVENUE | | | | | |
| Shareholders' share of surplus / (deficit) from insurance operations | 2(a) | 10,564 | (6,723) | 8,567 | (6,063) |
| EXPENSES | | | | | |
| General and administration expenses | | (796) | (694) | (1,249) | (1,101) |
| | | 9,768 | (7,417) | 7,318 | (7,164) |
| Investment income | | 1,859 | 1,620 | 410 | 2,538 |
| INCOME / (LOSS) FOR THE PERIOD BEFORE ZAKAT | | 11,627 | (5,797) | 7,728 | (4,626) |
| Zakat charge | | (3,583) | (1,401) | (4,786) | (2,661) |
| NET INCOME / (LOSS) FOR THE PERIOD | | 8,044 | (7,198) | 2,942 | (7,287) |
| Weighted average number of ordinary shares outstanding (in thousands) | | 20,000 | 20,000 | 20,000 | 20,000 |
| Basic and diluted earnings / (loss) per share (in Saudi Arabian Riyals) | | 0.40 | (0.36) | 0.15 | (0.36) |



Director



Chief Financial Officer



Chief Executive Officer

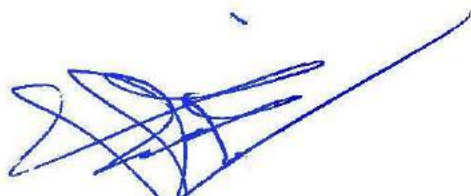
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**GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2016

| | <i>Three-month period ended 30 June (Unaudited)</i> | | <i>Six-month period ended 30 June (Unaudited)</i> | |
|---|---|-------------------------|---|-------------------------|
| | <i>2016 SR' 000</i> | <i>2015 SR' 000</i> | <i>2016 SR' 000</i> | <i>2015 SR' 000</i> |
| NET INCOME / (LOSS) FOR THE PERIOD | 8,044 | (7,198) | 2,942 | (7,287) |
| Items that will not be reclassified to statement of shareholders' operations | | | | |
| Other comprehensive income / (loss) | -- | -- | -- | -- |
| TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD | 8,044 | (7,198) | 2,942 | (7,287) |



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six-month period ended 30 June 2016

| | <i>For the six-month period ended 30 June 2016</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 as at 1 January 2016 (audited) | 200,000 | 1,642 | (25,363) | 176,279 |
| Net income for the period | -- | -- | 2,942 | 2,942 |
| Items that will not be reclassified to statement of shareholders' operations | | | | |
| Other comprehensive income / (loss) | -- | -- | -- | -- |
| Balance at 30 June 2016 (unaudited) | <u>200,000</u> | <u>1,642</u> | <u>(22,421)</u> | <u>179,221</u> |

| | <i>For the six-month period ended 30 June 2015</i> | | | |
|---|--|-------------------------------------|--|-------------------------|
| | <i>Share capital SR'000</i> | <i>Statutory reserve SR'000</i> | <i>Retained earnings / (accumulated losses) SR'000</i> | <i>Total SR'000</i> |
| Balance as at 1 January 2015 (audited) | 200,000 | 1,642 | 6,568 | 208,210 |
| Net loss for the period | -- | -- | (7,287) | (7,287) |
| Items that will not be reclassified to statement of shareholders' operations | | | | |
| Other comprehensive income / (loss) | -- | -- | -- | -- |
| Balance at 30 June 2015 (unaudited) | <u>200,000</u> | <u>1,642</u> | <u>(719)</u> | <u>200,923</u> |


Director


Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
For the six-month period ended 30 June 2016 (unaudited)

| | <i>Notes</i> | <i>For the six- month period ended 30 June 2016 (Unaudited) SR' 000</i> | <i>For the six- month period ended 30 June 2015 (Unaudited) SR' 000</i> |
|---|--------------|---|---|
| OPERATING ACTIVITIES | | | |
| Policyholders' share of surplus / (deficit) from insurance operations | | 952 | -- |
| Adjustments for: | | | |
| Shareholders' share of deficit / (surplus) from insurance operations | | (8,567) | 6,063 |
| Provision / (reversal of provision) for premium receivables | 5 | 2,504 | (791) |
| Provision for premium deficiency reserve | | 1,707 | 5,542 |
| Allowance for impairment of reinsurance receivables | | 2,792 | 8,269 |
| Reinsurers' share of unearned premiums | | (4,507) | (33,950) |
| Unearned premiums | | 23,486 | 70,566 |
| Deferred policy acquisition costs | | (3,230) | (4,157) |
| Deferred commission income | | 1,355 | 2,714 |
| Depreciation | | 419 | 529 |
| | | <u>16,911</u> | <u>54,785</u> |
| Changes in assets and liabilities: | | | |
| Premiums receivable, net | | (27,020) | (36,678) |
| Reinsurer's share of outstanding claims | | 34,617 | (16,523) |
| Due from reinsurers | | (7,769) | 3,452 |
| Prepayments and other assets | | (513) | (3,096) |
| Outstanding claims | | (44,532) | 3,488 |
| Due to reinsurers and brokers | | 1,607 | 40,517 |
| Due to / from shareholders' operations | | 92,677 | (42,414) |
| Due to policy holders | | 6,492 | (6,520) |
| Accrued expenses and other liabilities | | 480 | 708 |
| Net cash from / (used in) operating activities | | <u>72,950</u> | <u>(2,281)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of furniture, fittings and office equipment | | (452) | (734) |
| Placement of murabaha deposits | | (82,000) | -- |
| Net cash used in investing activities | | <u>(82,452)</u> | <u>(734)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | (9,502) | (3,015) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | | |
| | | 67,246 | 77,196 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | | | |
| | 3 | <u>57,744</u> | <u>74,181</u> |



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the six-month period ended 30 June 2016 (unaudited)

| | <i>Notes</i> | <i>For the six-month period ended 30 June 2016 (Unaudited) SR' 000</i> | <i>For the six-month period ended 30 June 2015 (Unaudited) SR' 000</i> |
|---|--------------|--|--|
| OPERATING ACTIVITIES | | | |
| Income / (loss) for the period before Zakat | | 7,728 | (4,626) |
| Adjustments for: | | | |
| Unrealised loss / (gain) on fair value through income statement investments | 6 | 884 | (1,370) |
| Realised loss fair value through income statement investments | 6 | 68 | -- |
| Amortization related to investments held to maturity | | -- | (26) |
| | | <u>8,680</u> | <u>(6,022)</u> |
| Changes in assets and liabilities: | | | |
| Prepayments and other assets | | (182) | (835) |
| Due to / from insurance operations | | (84,110) | 36,351 |
| Accrued expenses and other liabilities | | 625 | 569 |
| Due to related parties in respect of goodwill | | -- | (9,804) |
| | | <u>(74,987)</u> | <u>20,259</u> |
| Zakat paid | 7 | (2,385) | (1,150) |
| Net cash (used in) / from operating activities | | <u>(77,372)</u> | <u>19,109</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of fair value through income statement investments | | (3,328) | -- |
| Proceeds from fair value through income statement investments | | 6,253 | -- |
| Maturity of Murabaha deposits | | 77,338 | -- |
| Net cash from investing activities | | <u>80,263</u> | <u>--</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 2,891 | 19,109 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 84,666 | 1,894 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 3 | <u>87,557</u> | <u>21,003</u> |
| MAJOR NON-CASH TRANSACTION | | | |
| Transfer of advance for investment to available-for-sale investment | | -- | 1,923 |

Director

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 to 12 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)

At 30 June 2016

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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 office address of the Company is Al Gheity 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 Agency ("SAMA") on 20 Rabi-al-Awwal 1431 H (corresponding to 6 March 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 Agency ("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. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 24 Safar 1431 H (corresponding to 8 February 2010).

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. In case the Company is not able to make the goodwill payments to the Sellers before the end of 2015, the unpaid goodwill amount will be transferred and adjusted against the goodwill.

In December 2013, consequent to SAMA approval, a sum of SR 18.13 million payable to the Sellers for goodwill was adjusted against amount receivable from them. Also, SAMA approved further payment of SR 5.3 million to the Sellers relating to 2012 profits, which was transferred to amount due to related parties, as at 31 December 2013, and settled in 2014. Further, during the year ended 31 December 2014, consequent to SAMA's approval, dated 28 Shawal 1435 H (corresponding to 24 August 2014), a payment of SR 2.96 million was made to the Sellers in respect of goodwill, out of 2013 profits. During the year ended December 31, 2015, consequent to SAMA's approval, dated 3 Rajab 1436 H (corresponding to 22 April 2015), a final payment of SR 9.804 million was made to the Sellers in respect of goodwill, out of 2014 profits.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF PREPARATION

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Accounting" (IAS 34). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those used for the preparation of the financial statements for the year ended 31 December 2015, except for the new accounting standards:

These interim condensed financial statements should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015. In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented.

The preparation of interim condensed financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim condensed financial statements do not contain all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS.

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.

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.

The interim condensed financial statements are presented in Saudi Arabian Riyals ("SR"), being the functional currency of the Company, and have been rounded off to the nearest thousand, unless otherwise specified.

The Company presents its interim statement of financial position broadly in order of liquidity. Except for fair value through income statement investments, available-for-sale investment, statutory deposit and return on investment of statutory deposit, all financial assets and liabilities are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

b. 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):

Standard /

Amendments

Description

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

IFRS 10 Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 28 – “Investments in Associates”, applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 11 – “Joint Arrangements”, applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – “Business Combinations” and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control

IFRS 5 Amendments to IFRS 5 Changes in methods of disposal
IFRS 7 and Amendments to IFRS 7 regarding Servicing contracts (with consequential amendments to IFRS 1)
IFRS 1

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

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

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Standard /

| <u>Amendments</u> | <u>Description</u> |
|----------------------|--|
| IAS 19 | Amendments to IAS 19 Discount rate – regional market issue |
| IAS 34 | Amendments to IAS 34 Disclosure of information |
| IAS 16 and IAS 38 | Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation |
| IAS 16 and IAS 41 | Amendments to IAS 16 and IAS 41 Agriculture Bearer Plants |

c. 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.

| <i>Standard / Interpretation</i> | <i>Description</i> | <i>Effective from periods beginning on or after the following date</i> |
|----------------------------------|---|--|
| <u>n</u> | | |
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 | Leases | 1 January 2019 |
| IAS 12 | Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses | 1 January 2017 |
| IAS 7 | Amendments to IAS 7 Disclosure Initiative | 1 January 2017 |

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

d. 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 December 31, 2015. There have been no changes in the risk management department or in any risk management policies since the year end.

e. SEASONALITY OF OPERATIONS

There are no seasonal changes that affect insurance operations.

3. CASH AND CASH EQUIVALENTS

| | <i>30 June 2016</i> <i>(Unaudited)</i> <i>SR'000</i> | <i>31 December</i> <i>2015 (Audited)</i> <i>SR'000</i> |
|--|--|--|
| <i>Insurance operations</i> | | |
| Cash in hand | 21 | 15 |
| Cash at banks (see note (a) below) | 12,723 | 22,231 |
| Investment in Murabaha deposits (see note (b) below) | 45,000 | 45,000 |
| | <u>57,744</u> | <u>67,246</u> |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

3. CASH AND CASH EQUIVALENTS (continued)

| | <i>30 June 2016</i> <i>(Unaudited)</i> <i>SR'000</i> | <i>31 December</i> <i>2015 (Audited)</i> <i>SR'000</i> |
|--|--|--|
| <i>Shareholders' operations</i> | | |
| Cash at banks | 4,557 | 84,666 |
| Investment in Murabaha deposits (see note (b) below) | 83,000 | -- |
| | <u>87,557</u> | <u>84,666</u> |

a) At 30 June 2016, bank balances amounting to SR million (30 June 2015: SR 0.5 million), are held in the name of related parties of the Company, on behalf of the Company.

b) The investment in Murabaha deposits are held with commercial banks in the Kingdom of Saudi Arabia. These investments in Murabaha deposits are denominated in Saudi Riyals and have an original maturity not exceeding three months.

4. INVESTMENT IN MURABAHA DEPOSITS

| | <i>30 June 2016</i> <i>(Unaudited)</i> <i>SR'000</i> | <i>31 December</i> <i>2015 (Audited)</i> <i>SR'000</i> |
|---|--|--|
| <i>Insurance operations</i> | | |
| Investment in Murabaha deposits | 127,000 | 45,000 |
| Less: investment in Murabaha deposits with maturity less than three months (see note 3) | (45,000) | (45,000) |
| | <u>82,000</u> | <u>--</u> |
| <i>Shareholders' operations</i> | | |
| Investment in Murabaha deposits | 83,000 | 77,338 |
| Less: investment in Murabaha deposits with maturity less than three months (see note 3) | (83,000) | -- |
| | <u>--</u> | <u>77,338</u> |

5. PREMIUMS RECEIVABLE, NET

| | <i>30 June 2016</i> <i>(Unaudited)</i> <i>SR'000</i> | <i>31 December</i> <i>2015 (Audited)</i> <i>SR'000</i> |
|---------------------------|--|--|
| Gross premiums receivable | 114,118 | 87,098 |
| Allowance for impairment | (19,672) | (17,168) |
| Premiums receivable, net | <u>94,446</u> | <u>69,930</u> |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

5. PREMIUMS RECEIVABLE, NET (continued)

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

| | 30 June 2016 <i>(Unaudited)</i> SR'000 | 31 December 2015 <i>(Audited)</i> SR'000 |
|--|--|--|
| Balance at beginning of the period / year | 17,168 | 18,454 |
| Addition / (reversal) during the period / year | 2,504 | (791) |
| Utilised to write-off receivables during the period / year | -- | (495) |
| | <hr/> | <hr/> |
| Balance at end of the period / year | 19,672 | 17,168 |
| | <hr/> <hr/> | <hr/> <hr/> |

6. INVESTMENTS

| | <i>Notes</i> | 30 June 2016 <i>(Unaudited)</i> SR'000 | 31 December <i>2015 (Audited)</i> SR'000 |
|---|--------------|--|--|
| Fair value through income statement investments | 6(a) | 30,669 | 34,546 |
| | | <hr/> | <hr/> |
| Available for sale investment | 6(b) | 1,923 | 1,923 |
| | | <hr/> <hr/> | <hr/> <hr/> |

(a) Fair value through income statement investments

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

| | 30 June 2016 <i>(Unaudited)</i> SR'000 | 31 December <i>2015 (Audited)</i> SR'000 |
|---|--|--|
| Balance at beginning of the period / year | 34,546 | 31,964 |
| Purchases during the period / year | 3,328 | 6,980 |
| Disposals during the period / year | (6,253) | -- |
| Realized loss on FVIS investments | (68) | -- |
| Unrealized loss on FVIS investments | (884) | (4,398) |
| | <hr/> | <hr/> |
| Balance at end of the period / year | 30,669 | 34,546 |
| | <hr/> <hr/> | <hr/> <hr/> |

(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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

7. ZAKAT

The Zakat payable by the Company has been calculated based on the best estimates of the management. Movement in the Zakat payable is as follows:

| | <i>30 June 2016</i> <i>(Unaudited)</i> <i>SR'000</i> | <i>31 December</i> <i>2015 (Audited)</i> <i>SR'000</i> |
|---|--|--|
| Balance at beginning of the period / year | 9,491 | 6,106 |
| Charge for the period / year | 4,786 | 4,535 |
| Paid during the period / year | (2,385) | (1,150) |
| | <hr/> | <hr/> |
| Balance at end of the period / year | 11,892 | 9,491 |
| | <hr/> <hr/> | <hr/> <hr/> |

Status of assessments

The Company has filed its Zakat returns for its first period from 3 January 2010 to 31 December 2010 and a revised return for the period from 3 January 2010 to 31 December 2011 with the General Authority for Zakat and Tax ("GAZT") and obtained unrestricted Zakat certificates. The GAZT issued the preliminary Zakat assessment for the period from 3 January 2010 to 31 December 2011 with an additional liability of SR 6.3 million. Management has appealed against this assessment which is still under review.

The GAZT has issued a preliminary Zakat assessment for the year ended 31 December 2012 with an additional liability of SR 0.9 million. The management has partly agreed to the above assessment and settled SR 0.3 million and filed an appeal for the remaining SR 0.6 million which is still under review.

The GAZT has issued a preliminary Zakat assessment for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 with an additional liability of SR 1.5 million. The management has appealed against these assessments, which are still under review.

The management is confident of a favourable outcome of these amounts under appeals.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

8. TRANSACTIONS WITH RELATED PARTIES

Following are the details of related party transactions during the six-month period ended 30 June 2016 and 30 June 2015:

| <u>Related party</u> | <u>Relationship</u> | <u>Nature of transactions</u> | <i>For the six-month period ended 30 June 2016 (Unaudited) SR'000</i> | <i>For the six-month period ended 30 June 2015 (Unaudited) SR'000</i> |
|--|-------------------------|---|---|---|
| <i>Insurance operations</i> | | | | |
| Gulf Cooperation Insurance Company Ltd. E.C. | Shareholder | General and administrative expenses directly paid on behalf of the Company and recharged to the Company | 61 | 56 |
| Rolaco Group | Related to Shareholders | Premiums underwritten Claims paid | 1,009 (53) | 1,949 (34) |
| Dabbagh Group | Related to Shareholders | Premiums underwritten Claims paid | 8,449 (981) | 6,830 (1,011) |
| Farouk Maamoun Tamer & Company | Shareholder | Premiums underwritten Claims paid | 9,512 (488) | 11,543 (1,054) |
| Key management Personnel | | Short-term benefits Long-term benefits | 1,322 64 | 1,322 55 |
| <i>Shareholders' operations</i> | | | | |
| Board of Directors | | Board of Directors' remuneration | 680 | 680 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

8. TRANSACTIONS WITH RELATED PARTIES (continued)

Following are the details of related party balances as at 30 June 2016 and 31 December 2015:

| <u>Related party</u> | <u>Relationship</u> | 30 June 2016 (Unaudited) SR'000 | 31 December 2015 (Audited) SR'000 |
|--|---------------------|--|--|
| Insurance operations | | | |
| <u>Due from related parties</u> | | | |
| Gulf Cooperation Insurance Company Ltd. E.C. | Shareholder | 1,111 | 1,050 |
| | Related to | | |
| Rolaco Group | Shareholders | 80 | 3 |
| | Related to | | |
| Dabbagh Group | Shareholders | 3,546 | 1,307 |
| Al Fadal Group | Shareholder | 643 | 643 |
| Farouk, Maamoun Tamer & Company | Shareholder | 6,973 | 1,546 |
| <u>Due to related parties</u> | | | |
| Saudi General Insurance Company Ltd. E.C. | Shareholder | 309 | 309 |
| | Related to | | |
| Rolaco Group | Shareholders | 8 | 18 |
| | Related to | | |
| Dabbagh Group | Shareholders | 200 | 681 |
| Farouk, Maamoun Tamer & Company | Shareholder | 2,550 | 1,312 |
| Key management personnel | | 360 | 296 |
| Shareholders' operations | | | |
| Board of Directors remuneration and related expenses | | 2,183 | 1,503 |

The above balances are included in prepayments and other assets, accrued expenses and other liabilities, premiums receivable, net and due to policyholders. Furthermore, due to related parties in respect of goodwill settled in prior periods is disclosed in the interim statement of financial position (see note 1(b)). Also note 3(a) refers to bank balances that were held in the name of related parties of the Company, on behalf of the Company.

9. SEGMENT INFORMATION

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.

Operating segments do not include shareholders' operations of the Company.

Segment assets do not include cash and cash equivalents, investment in murabaha deposits, premiums receivable, net, due from reinsurers, prepayments and other assets, due from shareholders' operations and furniture, fittings and office equipment.

Segment liabilities and surplus do not include due to reinsurers and brokers, due to policyholders, due to shareholders' operations, accrued expenses and other liabilities and accumulated surplus.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

9. SEGMENT INFORMATION (continued)

Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

| | <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 and liability</i> SR '000 | <i>Total</i> SR '000 |
|--|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| For the three-month period ended 30 June 2016 (Unaudited) | | | | | | | |
| Gross written premiums | 9,632 | 27,707 | 8,097 | 4,008 | 5,630 | 5,914 | 60,988 |
| Less: Reinsurance contracts premiums ceded | (5,166) | (5,044) | (6,894) | (3,562) | (3,917) | (2,788) | (27,371) |
| Net written premiums | 4,466 | 22,663 | 1,203 | 446 | 1,713 | 3,126 | 33,617 |
| Movement in net unearned premiums | 764 | 4,473 | (86) | 380 | 989 | (696) | 5,824 |
| Net premiums earned | 5,230 | 27,136 | 1,117 | 826 | 2,702 | 2,430 | 39,441 |
| Commission earned on ceded reinsurance | -- | 557 | 2,087 | 981 | 1,425 | 778 | 5,828 |
| | 5,230 | 27,693 | 3,204 | 1,807 | 4,127 | 3,208 | 45,269 |
| Gross claims paid | 9,981 | 24,252 | 23,166 | 3,116 | 2,866 | 1,368 | 64,749 |
| Less: Reinsurers' share of claims | (6,721) | (3,632) | (21,347) | (3,018) | (1,896) | (724) | (37,338) |
| Net claims paid | 3,260 | 20,620 | 1,819 | 98 | 970 | 644 | 27,411 |
| Changes in net outstanding claims | 67 | (2,143) | (2,199) | (668) | (2,089) | (795) | (7,827) |
| Net claims incurred | 3,327 | 18,477 | (380) | (570) | (1,119) | (151) | 19,584 |
| Policy acquisition costs | 176 | 3,008 | 941 | 483 | 670 | 529 | 5,807 |
| Reversal for premium deficiency reserve | -- | (1,771) | -- | -- | -- | -- | (1,771) |
| | 3,503 | 19,714 | 561 | (87) | (449) | 378 | 23,620 |
| Net underwriting result | 1,727 | 7,979 | 2,643 | 1,894 | 4,576 | 2,830 | 21,649 |
| Other income | 119 | 2,424 | 124 | 48 | 78 | 73 | 2,866 |
| General and administration expenses | (1,966) | (6,055) | (1,886) | (781) | (1,161) | (1,150) | (12,999) |
| (Deficit) / surplus from insurance operations | (120) | 4,348 | 881 | 1,161 | 3,493 | 1,753 | 11,516 |
| Shareholders' share of surplus from insurance operations | | | | | | | (10,564) |
| Policyholders' share of surplus from insurance operations | | | | | | | 952 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

9. SEGMENT INFORMATION (continued)

| | <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 and liability</i> SR '000 | <i>Total</i> SR '000 |
|--|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| For the six-month period ended 30 June 2016 (Unaudited) | | | | | | | |
| Gross written premiums | 25,234 | 86,231 | 29,143 | 9,262 | 15,158 | 13,527 | 178,555 |
| Less: Reinsurance contracts premiums ceded | (13,635) | (16,750) | (27,215) | (8,149) | (10,802) | (6,970) | (83,521) |
| Net written premiums | 11,599 | 69,481 | 1,928 | 1,113 | 4,356 | 6,557 | 95,034 |
| Movement in net unearned premiums | 1,035 | (17,746) | (1,140) | 396 | 162 | (1,686) | (18,979) |
| Net premiums earned | 12,634 | 51,735 | 788 | 1,509 | 4,518 | 4,871 | 76,055 |
| Commission earned on ceded reinsurance | -- | 1,095 | 4,263 | 2,061 | 3,804 | 1,531 | 12,754 |
| | 12,634 | 52,830 | 5,051 | 3,570 | 8,322 | 6,402 | 88,809 |
| Gross claims paid | 22,306 | 48,035 | 24,360 | 7,298 | 4,563 | 2,599 | 109,161 |
| Less: Reinsurers' share of claims | (15,550) | (7,116) | (22,480) | (6,898) | (3,093) | (1,643) | (56,780) |
| Net claims paid | 6,756 | 40,919 | 1,880 | 400 | 1,470 | 956 | 52,381 |
| Changes in net outstanding claims | 302 | (6,560) | (559) | (454) | (2,234) | (410) | (9,915) |
| Net claims incurred | 7,058 | 34,359 | 1,321 | (54) | (764) | 546 | 42,466 |
| Policy acquisition costs | 350 | 5,861 | 1,980 | 1,006 | 1,762 | 1,028 | 11,987 |
| Provision for premium deficiency | -- | 1,707 | -- | -- | -- | -- | 1,707 |
| | 7,408 | 41,927 | 3,301 | 952 | 998 | 1,574 | 56,160 |
| Net underwriting result | 5,226 | 10,903 | 1,750 | 2,618 | 7,324 | 4,828 | 32,649 |
| Other income | 212 | 3,993 | 258 | 81 | 141 | 127 | 4,812 |
| General and administration expenses | (3,949) | (13,494) | (4,561) | (1,449) | (2,372) | (2,117) | (27,942) |
| Surplus / (deficit) from insurance operations | 1,489 | 1,402 | (2,553) | 1,250 | 5,093 | 2,838 | 9,519 |
| Shareholders' share of surplus from insurance operations | | | | | | | (8,567) |
| Policyholders' share of surplus from insurance operations | | | | | | | 952 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

9. SEGMENT INFORMATION (continued)

As at 30 June 2016 (Unaudited)

| | <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 and liability</i> SR '000 | <i>Total</i> SR '000 |
|---|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| <i>Insurance operations' assets</i> | | | | | | | |
| Reinsurers' share of unearned premiums | 10,436 | 11,290 | 19,187 | 8,496 | 3,914 | 5,961 | 59,284 |
| Reinsurers' share of outstanding claims | 13,694 | 13,440 | 19,223 | 12,336 | 14,559 | 5,946 | 79,198 |
| Deferred policy acquisition costs | 426 | 5,952 | 1,834 | 997 | 836 | 1,181 | 11,226 |
| Unallocated assets | | | | | | | 269,310 |
| Total insurance operations' assets | | | | | | | 419,018 |
| <i>Insurance operations' liabilities and surplus</i> | | | | | | | |
| Unearned premiums | 19,789 | 65,855 | 21,440 | 11,510 | 5,636 | 11,465 | 135,695 |
| Provision for premium deficiency | -- | 5,683 | -- | -- | -- | -- | 5,683 |
| Outstanding claims | 18,211 | 55,338 | 40,561 | 15,833 | 16,714 | 8,565 | 155,222 |
| Deferred commission income | -- | 1,153 | 3,807 | 2,006 | 1,968 | 1,639 | 10,573 |
| Unallocated liabilities and accumulated surplus | -- | -- | -- | -- | -- | -- | 111,845 |
| Total insurance operations' liabilities and surplus | | | | | | | 419,018 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

9. SEGMENT INFORMATION (continued)

| | <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 and liability</i> SR '000 | <i>Total</i> SR '000 |
|--|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| For the three-month period ended 30 June 2015 (Unaudited) | | | | | | | |
| Gross written premiums | 45,030 | 24,550 | 10,140 | 7,247 | 9,000 | 6,202 | 102,169 |
| Less: Reinsurance contracts premiums ceded | (28,791) | (3,963) | (9,472) | (6,624) | (6,520) | (2,391) | (57,761) |
| Net written premiums | 16,239 | 20,587 | 668 | 623 | 2,480 | 3,811 | 44,408 |
| Movement in net unearned premiums | (8,879) | 6,215 | (9) | 2,225 | (70) | (303) | (821) |
| Net premiums earned | 7,360 | 26,802 | 659 | 2,848 | 2,410 | 3,508 | 43,587 |
| Commission earned on ceded reinsurance | -- | 545 | 2,149 | 1,198 | 2,496 | 820 | 7,208 |
| | 7,360 | 27,347 | 2,808 | 4,046 | 4,906 | 4,328 | 50,795 |
| Gross claims paid | 17,511 | 30,953 | 6,682 | 2,849 | 2,998 | 571 | 61,564 |
| Less: Reinsurers' share of claims | (9,806) | (4,875) | (4,710) | (2,675) | (2,221) | (506) | (24,793) |
| Net claims paid | 7,705 | 26,078 | 1,972 | 174 | 777 | 65 | 36,771 |
| Changes in net outstanding claims | (870) | (13,863) | 1,511 | 443 | 353 | 443 | (11,983) |
| Net claims incurred | 6,835 | 12,215 | 3,483 | 617 | 1,130 | 508 | 24,788 |
| Policy acquisition costs | 185 | 3,102 | 1,038 | 609 | 1,229 | 601 | 6,764 |
| Premium deficiency reserve | -- | 5,542 | -- | -- | -- | -- | 5,542 |
| | 7,020 | 20,859 | 4,521 | 1,226 | 2,359 | 1,109 | 37,094 |
| Net underwriting result | 340 | 6,488 | (1,713) | 2,820 | 2,547 | 3,219 | 13,701 |
| Other income | 95 | 102 | 34 | 18 | 35 | 18 | 302 |
| General and administration expenses | (6,371) | (7,295) | (2,603) | (1,374) | (1,936) | (1,220) | (20,799) |
| Deficit from insurance operations | (5,936) | (705) | (4,282) | 1,464 | 646 | 2,017 | (6,796) |
| Shareholders' share of deficit from insurance operations | | | | | | | 6,723 |
| Policyholders' share of deficit from insurance operations | | | | | | | (73) |

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

At 30 June 2016

9. SEGMENT INFORMATION (continued)

| | <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 and liability</i> SR '000 | <i>Total</i> SR '000 |
|--|---------------------------|-------------------------|----------------------------|-------------------------------|--------------------------|--|-------------------------|
| For the six-month period ended 30 June 2015 (Unaudited) | | | | | | | |
| Gross written premiums | 61,499 | 95,460 | 33,886 | 15,880 | 23,637 | 14,241 | 244,603 |
| Less: Reinsurance contracts premiums ceded | (37,448) | (15,673) | (32,619) | (13,954) | (17,767) | (6,823) | (124,284) |
| Net written premiums | 24,051 | 79,787 | 1,267 | 1,926 | 5,870 | 7,418 | 120,319 |
| Movement in net unearned premiums | (9,031) | (26,767) | (760) | 1,771 | (188) | (1,641) | (36,616) |
| Net premiums earned | 15,020 | 53,020 | 507 | 3,697 | 5,682 | 5,777 | 83,703 |
| Commission earned on ceded reinsurance | -- | 970 | 4,194 | 2,436 | 5,882 | 1,629 | 15,111 |
| | 15,020 | 53,990 | 4,701 | 6,133 | 11,564 | 7,406 | 98,814 |
| Gross claims paid | 29,752 | 58,613 | 20,794 | 4,607 | 9,050 | 1,905 | 124,721 |
| Less: Reinsurers' share of claims | (17,428) | (8,415) | (16,077) | (4,388) | (7,518) | (1,291) | (55,117) |
| Net claims paid | 12,324 | 50,198 | 4,717 | 219 | 1,532 | 614 | 69,604 |
| Changes in net outstanding claims | (586) | (14,275) | 1,297 | 865 | (241) | (95) | (13,035) |
| Net claims incurred | 11,738 | 35,923 | 6,014 | 1,084 | 1,291 | 519 | 56,569 |
| Policy acquisition costs | 362 | 6,098 | 2,019 | 1,256 | 2,871 | 1,186 | 13,792 |
| Premium deficiency reserve | -- | 5,542 | -- | -- | -- | -- | 5,542 |
| | 12,100 | 47,563 | 8,033 | 2,340 | 4,162 | 1,705 | 75,903 |
| Net underwriting result | 2,920 | 6,427 | (3,332) | 3,793 | 7,402 | 5,701 | 22,911 |
| Other income | 121 | 285 | 81 | 35 | 68 | 39 | 629 |
| General and administration expenses | (7,389) | (11,678) | (4,071) | (1,908) | (2,840) | (1,717) | (29,603) |
| Deficit from insurance operations | (4,348) | (4,966) | (7,322) | 1,920 | 4,630 | 4,023 | (6,063) |
| Shareholders' share of deficit from insurance operations | | | | | | | 6,063 |
| Policyholders' share of deficit from insurance operations | | | | | | | -- |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2016

9. SEGMENT INFORMATION (continued)

As at 31 December 2015 (Audited)

| | <i>Medical</i> | <i>Motor</i> | <i>Property</i> | <i>Engineering</i> | <i>Marine</i> | <i>Accident and liability</i> | <i>Total</i> |
|---|----------------|--------------|-----------------|--------------------|---------------|---------------------------------------|----------------|
| | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 |
| As at 31 December 2015 | | | | | | | |
| <i>Insurance operations' assets</i> | | | | | | | |
| Reinsurers' share of unearned premiums | 14,291 | 6,736 | 14,119 | 10,268 | 5,346 | 4,017 | 54,777 |
| Reinsurers' share of outstanding claims | 11,720 | 13,940 | 52,645 | 13,254 | 15,587 | 6,669 | 113,815 |
| Deferred policy acquisition costs | 288 | 3,435 | 1,292 | 1,010 | 1,088 | 883 | 7,996 |
| Unallocated assets | -- | -- | -- | -- | -- | -- | 234,314 |
| Total insurance operations' assets | | | | | | | 410,902 |
| <i>Insurance operations' liabilities and surplus</i> | | | | | | | |
| Unearned premiums | 24,680 | 43,553 | 15,232 | 13,678 | 7,230 | 7,836 | 112,209 |
| Provision for premium deficiency | -- | 3,976 | -- | -- | -- | -- | 3,976 |
| Outstanding claims | 15,935 | 62,398 | 74,542 | 17,205 | 19,976 | 9,698 | 199,754 |
| Deferred commission income | -- | 687 | 2,712 | 2,148 | 2,378 | 1,293 | 9,218 |
| Unallocated liabilities and accumulated surplus | -- | -- | -- | -- | -- | -- | 85,745 |
| Total insurance operations' liabilities and surplus | | | | | | | 410,902 |

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

At 30 June 2016

10. EARNINGS PER SHARE

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

Diluted loss per share is not applicable to the Company.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) 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 market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets include cash and cash equivalents, investments in Murabaha deposits, premiums receivable, due from reinsurers, other receivables, investments, due from insurance operations and statutory deposits. The Company's financial liabilities consist of outstanding claims, due to reinsurers and brokers, due to policy holders, due to shareholders' operations and certain other liabilities. At 30 June 2016, 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.

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

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.

| 30 June 2016 | Level 1 SR'000 | Level 2 SR'000 | Level 3 SR'000 | Total SR'000 |
|---------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| FVIS investments | 30,669 | -- | -- | 30,669 |
| Total | 30,669 | -- | -- | 30,669 |

As at 30 June 2016, all investments are fair valued except for Available-for-sale investment which is stated at cost (see note 6 (b) above)

| 31 December 2015 | Level 1 SR'000 | Level 2 SR'000 | Level 3 SR'000 | Total SR'000 |
|-------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| FVIS investments | 29,823 | 4,723 | -- | 34,546 |
| Total | 29,823 | 4,723 | -- | 34,546 |

There were no transfers between levels during the three-months and six months periods ended 30 June 2016 and year ended 31 December 2015. Also, there were no changes in the valuation techniques during the period from the previous periods.

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

At 30 June 2016

12. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on July 28, 2016 (corresponding to Shawwal 23, 1437H).