

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2020

with

INDEPENDENT AUDITOR'S REVIEW REPORT

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Gulf General Cooperative Insurance Company - a Saudi Joint Stock Company (the "Company") as at 30 September 2020, and the related interim condensed statements of income, comprehensive income for the three-month and nine-month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and notes to the 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 endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as 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 30 September 2020 interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

for **KPMG Al Fozan & Partners**
Certified Public Accountants

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for **Al-Bassam & Co.**
Certified Public Accountants

Ibrahim A. Al-Bassam
Certified Public Accountants
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Jeddah, Kingdom of Saudi Arabia
23 Rabi-ul-Awal 1442H
Corresponding to 09 November 2020



GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<u>Notes</u>	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<u>ASSETS</u>			
Cash and cash equivalents	4	170,871	113,815
Murabaha deposits	5	--	30,000
Premiums receivable – net	6	64,413	74,763
Due from reinsurers – net		15,841	17,430
Reinsurers' share of unearned premiums	10.1	38,997	33,197
Reinsurers' share of outstanding claims	10.2	12,770	12,441
Reinsurers' share of claims incurred but not reported	10.2	9,806	13,952
Reinsurers' excess of loss claims		443	200
Deferred policy acquisition costs		10,000	9,322
Investments	7	32,675	43,348
Prepayments and other assets	8	25,408	8,549
Property and equipment		6,196	5,459
Right-of-use assets		2,933	3,735
Intangible assets		6,335	5,864
Goodwill	1	36,260	36,260
Statutory deposit	9	20,000	20,000
Accrued income on statutory deposit	9	2,194	1,866
TOTAL ASSETS		455,142	430,201
<u>LIABILITIES</u>			
Due to policyholders		10,086	10,750
Accrued expenses and other liabilities		15,287	14,557
Due to reinsurers		15,240	4,033
Due to brokers		13,166	13,080
Unearned premiums	10.1	128,502	126,260
Unearned reinsurance commission		7,477	6,008
Outstanding claims	10.2	34,027	31,478
Claims incurred but not reported	10.2	32,530	37,060
Premium deficiency reserve	10.2	--	3,801
Other technical reserves	10.2	3,960	2,212
Employees' defined benefit obligations		5,586	4,852
Lease liabilities		2,665	3,280
Insurance operations' surplus payable		10,850	9,038
Accrued Zakat	17	2,556	3,342
Accrued income payable to SAMA	9	2,194	1,866
TOTAL LIABILITIES		284,126	271,617
<u>EQUITY</u>			
Share capital	18	200,000	200,000
Statutory reserve		2,165	2,165
Accumulated losses		(31,456)	(43,888)
Re-measurement reserve of defined benefit obligations		307	307
TOTAL EQUITY		171,016	158,584
TOTAL LIABILITIES AND EQUITY		455,142	430,201



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)

For the three-month and nine-month periods ended 30 September 2020

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2020 SR'000	2019 SR'000	2020 SR'000	2019 SR'000
REVENUES					
Gross written premiums	11	64,662	82,853	241,396	219,293
Reinsurance premiums ceded	12.1	(20,516)	(19,221)	(73,476)	(65,153)
Excess of loss expenses	12.2	(3,167)	(2,151)	(7,767)	(8,593)
Net written premiums		40,979	61,481	160,153	145,547
Changes in unearned premiums – net		10,774	(18,030)	3,560	(29,877)
Net premiums earned		51,753	43,451	163,713	115,670
Reinsurance commissions		4,409	3,774	13,705	15,104
Other underwriting income		24	22	81	74
TOTAL REVENUES		56,186	47,247	177,499	130,848
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		41,825	31,996	123,263	124,207
Expenses incurred related to claims		1,897	1,803	7,033	6,985
Less: Reinsurers' share of claims paid		(10,532)	(11,086)	(28,951)	(53,750)
Net claims and other benefits paid		33,190	22,713	101,345	77,442
Change in outstanding claims - net		861	844	1,980	1,961
Changes in claims incurred but not reported - net		4,730	3,823	(385)	5,419
Net claims and other benefits incurred		38,781	27,380	102,940	84,822
Reversal of premium deficiency reserve		(4,224)	(1,857)	(3,801)	(6,376)
Other technical reserves		1,723	(225)	1,748	(760)
Policy acquisition costs		5,356	3,549	16,266	10,140
TOTAL UNDERWRITING COSTS AND EXPENSES		41,636	28,847	117,153	87,826
NET UNDERWRITING INCOME		14,550	18,400	60,346	43,022
OTHER OPERATING (EXPENSES) / INCOME					
Reversal / (provision) for impairment of premium receivables	6	485	(710)	2,833	(1,178)
Reversal / (provision) for impairment of reinsurance receivables		549	1,307	(21)	627
General and administration expenses		(19,460)	(17,029)	(54,738)	(47,111)
Commission income on deposits		378	784	1,455	2,850
Realized (loss) / gain on investments	7	(1,899)	--	(1,899)	780
Unrealized gain / (loss) on investments	7	4,923	(2,846)	1,955	3,866
Other income		583	1,891	6,748	6,180
TOTAL OTHER OPERATING (EXPENSES) - NET		(14,441)	(16,603)	(43,667)	(33,986)
Income before Surplus and Zakat		109	1,797	16,679	9,036
Income / (loss) attributed to the insurance operations (transfer to surplus payable)	21	--	(448)	(1,844)	(468)
Income attributed to the shareholders before Zakat		109	1,349	14,835	8,568
Zakat charge	17	(523)	(817)	(2,403)	(2,682)
NET (LOSS) / INCOME ATTRIBUTED TO THE SHAREHOLDERS		(414)	532	12,432	5,886
Basic and diluted (loss) / earnings per share (SR per share)	20	(0.02)	0.03	0.62	0.29

Basic and diluted (loss) / earnings per share (SR per share)


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-month and nine-month periods ended 30 September 2020

	<i>Three-month period ended</i>		<i>Nine-month period</i>	
	<i>30 September</i>		<i>ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET (LOSS) / INCOME ATTRIBUTED TO THE SHAREHOLDERS	(414)	532	12,432	5,886
Other comprehensive income / (loss)	--	--	--	--
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(414)	532	12,432	5,886



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2020

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Re- measurement reserve of defined benefit obligations SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2019 (Audited)	200,000	2,165	(43,888)	307	158,584
<u>Total comprehensive income for the period</u>					
Net income for the period attributed to shareholders	--	--	12,432	--	12,432
Balance as at 30 September 2020 (Unaudited)	200,000	2,165	(31,456)	307	171,016

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Re- measurement reserve of defined benefit obligations SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2018 (Audited)	200,000	2,165	(43,038)	624	159,751
Impact of adopting IFRS 16 at 1 January 2019	--	--	98	--	98
Adjusted balance at 1 January 2019	200,000	2,165	(42,940)	624	159,849
<u>Total comprehensive income for the period</u>					
Net income for the period attributed to shareholders	--	--	5,886	--	5,886
Balance as at 30 September 2019 (Unaudited)	200,000	2,165	(37,054)	624	165,735

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 nine-month period ended 30 September 2020

	Notes	30 September 2020 (Unaudited) SR'000	30 September 2019 (Unaudited) SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders after Zakat		12,432	5,886
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		1,844	468
Zakat charge	17	2,403	2,682
Depreciation on property and equipment		1,609	1,132
Amortization on right-of-use assets		802	--
Amortization on intangible assets		1,033	655
(Reversal) / provision for impairment of premium receivables	6	(2,833)	1,178
Provision / (reversal) for impairment of reinsurance receivables		21	(627)
Realised loss / (gain) on investments held at FVIS	7	1,899	(780)
Unrealised gain on investments held at FVIS	7	(1,955)	(3,866)
		17,255	6,728
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable - net		13,183	(32,215)
Due from reinsurers - net		1,568	(3,691)
Reinsurers' share of unearned premiums		(5,800)	(1,504)
Reinsurers' share of outstanding claims		(329)	26,563
Reinsurers' share of claims incurred but not reported		4,146	2,139
Reinsurers' excess of loss claims		(243)	1,530
Deferred policy acquisition costs		(678)	(1,799)
Prepayments and other assets		(16,859)	(4,987)
Due to policyholders		(664)	(80)
Accrued expenses and other liabilities		730	(1,119)
Due to reinsurers		11,207	(7,888)
Due to brokers		86	442
Unearned premiums		2,242	31,383
Unearned reinsurance commission		1,469	861
Outstanding claims		2,549	(26,130)
Claims incurred but not reported		(4,530)	3,277
Premium deficiency reserve		(3,801)	(6,376)
Other technical reserves		1,748	(761)
Employees defined benefit obligations		734	(2,625)
		6,758	(22,980)
Surplus paid to policy holders		(32)	--
Zakat paid	17	(3,189)	(3,847)
Net cash generated from / (used in) operating activities		20,792	(20,099)

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 nine-month period ended 30 September 2020

	<u>Notes</u>	<i>30 September 2020 (Unaudited) SR'000</i>	<i>30 September 2019 (Unaudited) SR'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(2,346)	(1,140)
Additions to intangible assets		(1,504)	(944)
Disposals of investments held at FVIS	7	10,729	2,670
Proceeds from maturity of Murabaha deposits		30,000	82,000
Net cash generated from investing activities		<u>36,879</u>	<u>82,586</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		<u>(615)</u>	--
Net increase in cash and cash equivalents		57,056	62,487
Cash and cash equivalents at the beginning of the period	4	113,815	90,387
Cash and cash equivalents at the end of the period	4	<u>170,871</u>	<u>152,874</u>



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 23 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 (UNAUDITED)

As at 30 September 2020

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

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

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

The Company also has the following branches, which are operating under separate commercial registrations:

<u>Branch</u>	<u>Commercial Registration No.</u>	<u>Date of Registration</u>
Riyadh	1010316823	29 Shawwal 1432H (corresponding to 27 September 2011)
Al Khobar	2051046836	19 Dhul Qa'dah 1432H (corresponding to 17 October 2011)

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

The objectives of the Company are to engage in providing insurance and related services, which include reinsurance, in accordance with its by-laws, and applicable regulations in the Kingdom of Saudi Arabia. Its principal lines of business include medical, motor, property, engineering, marine and accident & liability.

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 insurance operations	10%
	<u>100%</u>

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

In accordance with the Implementing Regulations issued by SAMA, 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 (UNAUDITED)

As at 30 September 2020

1. ORGANIZATION AND PRINCIPLE ACTIVITIES (continued)

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 the related insurance assets and liabilities of an equivalent amount.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed financial statements of the Company have been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organisation for Certified Public Accountants ("SOCPA").

These interim condensed financial statements have been prepared under the going concern basis and historical cost convention, except for the measurement of investments held at fair value through income statement ("FVIS") and available-for-sale investment that are measured at fair value, and employees' defined benefit obligations which is recognized at the present value of future obligations using the projected unit credit method.

The Company's Board of Directors has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the Board of Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the interim condensed financial statements have been prepared on the going concern basis.

The Company's interim condensed statement of financial position is presented in order of liquidity. Except for available-for-sale investment, property and equipment, right-of-use assets, intangible assets, goodwill, statutory deposit, accrued income on statutory deposit, employees' defined benefit obligations, lease liabilities and accrued income payable to SAMA, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by Saudi Arabian Insurance Regulations ("the Implementing Regulations") the Company maintains separate books of accounts for "Insurance operations" and "Shareholders' operations". Accordingly, assets, liabilities, revenues and expenses attributable to either operation, are recorded in the respective accounts. Note 21 to these interim condensed financial statements provides the statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

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 2019.

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2020

2. BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

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

2.2 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 and the accompanying notes, disclosures including disclosures of contingent liabilities. Actual results may differ from these estimates.

In preparing these interim 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 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic (refer note 22). Based on these assessments, the Company believes that the COVID-19 pandemic has had no material effects on Company's reported results for the three-month and nine-month periods ended 30 September 2020. The Company continues to monitor the situation closely.

2.3 Seasonality of operations

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019, except as explained below:

3.1. New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB") have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

<u>Standard / Amendments</u>	<u>Description</u>
Amendments to IAS 1 & IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The Company intends to adopt these standards, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<i>Effective from periods beginning on or after the following date</i>
IFRS 17	Insurance Contracts	See note below
IFRS 9	Financial Instruments	See note below

IFRS 17 – Insurance Contracts

Overview:

This standard has been published on 18 May 2017, it establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- embedded derivatives, if they meet certain specified criteria;
- distinct investment components; and
- any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

Measurement:

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (“GMM”) is based on the following “building blocks” of:

- a) the fulfilment cash flows (“FCF”), which comprises:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
 - a risk adjustment for non-financial risk;

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Measurement (continued):

- b) the Contractual Service Margin (“CSM”). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
- the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date;
 - and the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

Interest is also accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows).

Moreover, the CSM will be released into profit or loss based on coverage units, reflecting the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, the CSM is also adjusted for in addition to adjustment under general model;

- i) changes in the entity’s share of the fair value of underlying items,
- ii) changes in the effect of the time value of money and financial risks not relating to the underlying items.

In addition, a simplified Premium Allocation Approach (PAA) is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The general model remains applicable for the measurement of incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 September 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 17 – Insurance Contracts (continued)

Effective date:

The IASB issued an Exposure Draft Amendments to IFRS 17 during September 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard setting. The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2021. Under the current exposure draft, it is proposed to amend the IFRS 17 effective date to reporting periods beginning on or after 1 January 2023. This is a deferral of 1 year compared to the previous date of 1 January 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intend to apply the standard on its effective date.

Transition:

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures:

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

Impact:

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of 30 September 2020, the financial impact of adopting the standard has yet to be fully assessed by the Company. The Company has started with their implementation process and have set up an implementation committee. Further, the Company has undertaken a Gap Analysis and the key areas of Gaps are as follows:

<u>Impact area</u>	<u>Summary of impact</u>
Financial impact	Not yet fully assessed by the Company.
Data impact	The Company believes that the data impact is not likely to be significant as a major proportion of the company's business would qualify for measurement under the premium allocation approach.
IT systems	The Company is already in the process of implementing a new upgraded IT system which will facilitate the implementation of IFRS 17
Process impact	The process impact is under evaluation, but no significant process changes are anticipated.
Impact on reinsurance arrangements	The Company's reinsurance arrangements are currently under testing to determine the suitable measurement approach
Impact on policies & control's frameworks	The Company is currently working with an external consultant to review and modify the current policy control framework
Human resources	The Company needs to recruit suitably qualified personnel who have a comprehensive understanding of IFRS 17

At the date of publication of these financial statements, it was not practicable to quantify the potential impact of adopting IFRS 17.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments

This standard was published on 24 July 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

a) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. A financial asset is measured at amortized cost if both:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and;
- ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses would be recycled through profit or loss upon sale, if both conditions are met:

- i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale and;
- ii) the contractual terms of cash flows are SPPI.

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

a) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

b) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as “fair value macro hedges”). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Standards issued but not yet effective (continued)

IFRS 9 – Financial Instruments (continued)

b) Hedge accounting (continued):

This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date:

The published effective date of IFRS 9 was 1 January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12 September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB’s new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

1. Apply a temporary exemption from implementing IFRS 9 until the earlier of
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after 1 January 2021. The IASB is proposing to extend the effective date of IFRS 17 and the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
2. Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning 1 January 2017: (1) The carrying amount of the Company’s liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the Company’s liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company’s financial statements.

Impact assessment:

As at 30 September 2020, the Company has total financial assets and insurance related assets amounting to SR 306 million (31 December 2019: SR 301 million) and SR 72 million (31 December 2019: SR 69 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 173 million (31 December 2019: SR 146 million). Investments are carried currently at fair value through statement of income at SR 31 million (31 December 2019: SR 41 million).

The Company is yet to fully assess changes from the application and implementation of IFRS 9, however at this stage, the Company does not expect the classification and measurement of financial assets to be impacted by IFRS 9 implementation.

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<i>Insurance operations</i>		
Cash in hand	26	32
Cash at banks (see note below)	18,886	11,226
Murabaha deposits with maturity less than three months (see note 5)	<u>64,225</u>	<u>34,000</u>
	<u>83,137</u>	<u>45,258</u>
<i>Shareholders' operations</i>		
Cash at banks	13,469	6,557
Murabaha deposits with maturity less than three months (see note 5)	<u>74,265</u>	<u>62,000</u>
	<u>87,734</u>	<u>68,557</u>
Total of cash and cash equivalents	<u>170,871</u>	<u>113,815</u>

- a) At 30 September 2020, bank balances amounting to SR 0.5 million (31 December 2019: SR 0.5 million), are held in the name of related parties of the Company, on behalf of the Company (note 16).
- b) Murabaha deposits earn commission at an average rate of 1.50% per annum as at 30 September 2020 (31 December 2019: 2.66% per annum).

5. MURABAHA DEPOSITS

Murabaha deposits comprises the following:

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<i>Insurance operations</i>		
Murabaha deposits	64,225	64,000
Less: Murabaha deposits with maturity less than three months (see note 4)	<u>(64,225)</u>	<u>(34,000)</u>
	<u>--</u>	<u>30,000</u>
<i>Shareholders' operations</i>		
Murabaha deposits	74,265	62,000
Less: Murabaha deposits with maturity less than three months (see note 4)	<u>(74,265)</u>	<u>(62,000)</u>
	<u>--</u>	<u>--</u>
Total of Murabaha deposits	<u>--</u>	<u>30,000</u>

- a) These Murabaha deposits earn commission at an average rate of 1.50% per annum as at 30 September 2020 (31 December 2019: 2.66% per annum).

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6. PREMIUMS RECEIVABLE - NET

Premiums receivable due from the following:

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Policyholders	80,496	99,217
Related parties (note 16)	5,946	408
	86,442	99,625
Provision for impairment of premiums receivables	(22,029)	(24,862)
Total of premiums receivable – net	64,413	74,763

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

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Balance at beginning of the period / year	24,862	22,525
(Reversal) / provision during the period / year	(2,833)	2,337
Balance at end of the period / year	22,029	24,862

7. INVESTMENTS

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<i>Shareholders' operations</i>		
Investments held at fair value through income statement ("FVIS") (note 7.1)		
- Equity securities	10,327	22,721
- Mutual funds	20,425	18,704
	30,752	41,425
Available-for-sale investment (note 7.2)	1,923	1,923
Total of investments	32,675	43,348

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7. INVESTMENTS (continued)**7.1. Investments held at FVIS**

Movement in investments classified as FVIS is as follows:

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Balance at beginning of the period / year	41,425	37,508
Purchases during the period / year	--	283
Disposals during the period / year	(10,729)	(2,670)
Realised (loss) / gain during the period / year	(1,899)	780
Unrealised gain during the period / year	1,955	5,524
Balance at end of the period / year	<u>30,752</u>	<u>41,425</u>

The investments held at FVIS of Shareholders' operations comprise of portfolio amounting to SR 30.75 million (31 December 2019: SR 41.43 million) which is invested in mutual funds and equity shares in the Kingdom of Saudi Arabia. The investments are denominated in Saudi Arabian Riyals and US Dollars.

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

7.2. Available-for-sale investment

The Company holds 3.85% of the equity in Najm for Insurance Services Company ("Najm"), a Saudi Closed Joint Stock Company. The investment is classified as an available-for-sale investment and is stated at cost (see note 14).

8. PREPAYMENTS AND OTHER ASSETS

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<i>Insurance operations</i>		
Prepayments	3,369	2,189
Other assets (note 8.1)	20,749	5,223
Due from related parties (note 16)	1,088	1,088
	<u>25,206</u>	<u>8,500</u>
<i>Shareholders' operations</i>		
Advances	--	35
Other assets	202	14
	<u>202</u>	<u>49</u>
Total of prepayments and other assets	<u>25,408</u>	<u>8,549</u>

- 8.1** Other assets include payment made by the Company in relation to VAT assessment raised by General Authority of Zakat and Tax ("GAZT") for 2018 and 2019 financial years amounting to SR 7.3 million. The payments were made to GAZT to avoid penalties. However, subsequent to period end, the Company has submitted objections to the GAZT assessment. The Company's management believes that there is strong basis that the assessment raised by the GAZT will be reversed and the full amount will be returned in due course.

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9. STATUTORY DEPOSIT

As required by SAMA Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid-up share capital, amounting to SR 20 million, in a bank designated by SAMA. Accrued income on this deposit is payable to SAMA and this deposit cannot be withdrawn without approval from SAMA.

10. TECHNICAL RESERVES**10.1 Movement in unearned premiums**

Movement in unearned premiums are as follows:

	<i>Nine-month period ended 30 September 2020</i> <i>(Unaudited)</i>		
	<i>Gross</i> <i>SR'000</i>	<i>Reinsurance</i> <i>SR'000</i>	<i>Net</i> <i>SR'000</i>
Balance at the beginning of the period	126,260	(33,197)	93,063
Premiums written / (ceded) during the period	241,396	(81,243)	160,153
Premiums earned during the period	(239,154)	75,443	(163,711)
Balance at the end of the period	<u>128,502</u>	<u>(38,997)</u>	<u>89,505</u>
	<i>Year ended 31 December 2019</i> <i>(Audited)</i>		
	<i>Gross</i> <i>SR'000</i>	<i>Reinsurance</i> <i>SR'000</i>	<i>Net</i> <i>SR'000</i>
Balance at the beginning of the year	101,854	(35,607)	66,247
Premiums written / (ceded) during the year	279,690	(94,999)	184,691
Premiums earned during the year	(255,284)	97,409	(157,875)
Balance at the end of the year	<u>126,260</u>	<u>(33,197)</u>	<u>93,063</u>

10.2 Net outstanding claims and other technical reserves

Net outstanding claims and other technical reserves comprise of the following:

	<i>30 September</i> <i>2020</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2019</i> <i>(Audited)</i> <i>SR'000</i>
Outstanding claims	34,027	31,478
Claims incurred but not reported	32,530	37,060
Premium deficiency reserve	--	3,801
Other technical reserves	3,960	2,212
	<u>70,517</u>	<u>74,551</u>
Less:		
Reinsurers' share of outstanding claims	12,770	12,441
Reinsurers' share of claims incurred but not reported	9,806	13,952
	<u>22,576</u>	<u>26,393</u>
Net outstanding claims and reserves	<u>47,941</u>	<u>48,158</u>

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11. GROSS WRITTEN PREMIUMS

<i>For the three-month period ended 30 September 2020 (Unaudited)</i>						
Corporate						
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	4,089	1,461	(246)	5,304	8	5,312
Motor	1,062	1,061	22,269	24,392	20,883	45,275
Property, accident and others	1,681	1,450	9,960	13,091	137	13,228
Life	410	--	437	847	--	847
	7,242	3,972	32,420	43,634	21,028	64,662
<i>For the three-month period ended 30 September 2019 (Unaudited)</i>						
Corporate						
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	24,566	400	436	25,402	604	26,006
Motor	20,706	457	12,145	33,308	6,954	40,262
Property, accident and others	2,661	1,748	7,923	12,332	3,315	15,647
Life	413	11	514	938	--	938
	48,346	2,616	21,018	71,980	10,873	82,853
<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>						
Corporate						
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	19,510	7,086	25,996	52,592	36	52,628
Motor	6,252	4,812	77,223	88,287	41,160	129,447
Property, accident and others	4,410	4,850	46,544	55,804	1,544	57,348
Life	825	162	986	1,973	--	1,973
	30,997	16,910	150,749	198,656	42,740	241,396
<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>						
Corporate						
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	Total Gross written premiums SR '000
Medical	38,413	5,039	16,011	59,463	688	60,151
Motor	34,749	5,902	23,100	63,751	31,092	94,843
Property, accident and others	8,217	7,926	40,228	56,371	5,815	62,186
Life	922	123	1,068	2,113	--	2,113
	82,301	18,990	80,407	181,698	37,595	219,293

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12. REINSURANCE PREMIUMS AND EXCESS OF LOSS PREMIUM CEDED**12.1 Reinsurance premiums ceded**

	<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>Reinsurance premiums ceded - General</u>				
- Local reinsurance brokers to foreign companies	19,000	17,909	66,851	58,792
- Direct foreign reinsurance companies	269	29	3,046	2,344
- Local reinsurance brokers to local companies	341	382	1,324	1,713
- Direct to local reinsurance companies	398	309	973	911
	20,008	18,629	72,194	63,760
<u>Reinsurance premiums ceded - Life</u>				
- Local reinsurance brokers to foreign companies	508	592	1,282	1,393
	20,516	19,221	73,476	65,153

12.2 Excess of loss expenses

	<i>Three-month period ended 30 September (Unaudited)</i>		<i>Nine-month period ended 30 September (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Local reinsurance brokers to foreign companies	3,072	2,084	7,562	8,324
Local reinsurance brokers to local companies	95	67	205	269
	3,167	2,151	7,767	8,593

13. COMMITMENTS AND CONTINGENCIES

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

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Letters of guarantees	300	300

- b) Zakat and withholding tax contingencies have been disclosed in note 17.2.

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

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14. 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 accessible 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 these financial statements.

a) Determination of fair value and fair value hierarchy

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

Level 1: quoted 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.

b) Carrying amounts and fair value

The following table shows the carrying amount and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

30 September 2020 (Unaudited)	Carrying value SR'000	Fair Value			
		Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total SR'000
<i>Shareholders' operations</i>					
Investments held at FVIS					
- Equity securities	10,327	10,327	--	--	10,327
- Mutual funds	20,425	--	20,425	--	20,425
Available for sale investment	1,923	--	--	1,923	1,923
	<u>32,675</u>	<u>10,327</u>	<u>20,425</u>	<u>1,923</u>	<u>32,675</u>
<i>Shareholders' operations</i>					
Investments held at FVIS					
- Equity securities	22,721	22,721	--	--	22,721
- Mutual funds	18,704	--	18,704	--	18,704
Available for sale investment	1,923	--	--	1,923	1,923
	<u>43,348</u>	<u>22,721</u>	<u>18,704</u>	<u>1,923</u>	<u>43,348</u>

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The fair value of investments in mutual funds at level 2 is based on the net assets values communicated by the fund manager, and the daily prices are available on Tadawul. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.

As at 30 September 2020, the Company has an investment amounting to SR 1.9 million (31 December 2019: SR 1.9 million) in an unquoted available for sale investment. This investment is held as part of Company's shareholder operations and is stated at cost in the absence of active markets or other means of reliably measuring their fair value.

There were no transfers between levels during the three-month and nine-month period ended 30 September 2020 and the year ended 31 December 2019. Further, there were no changes in the valuation techniques during the period from previous periods.

15. 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 the 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 nine 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 2019.

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

Segment liabilities do not include due to policyholders, accrued expenses and other liabilities, due to reinsurers, due to brokers, employees' defined benefit obligations, lease liabilities, Insurance operations' surplus payable, accrued Zakat and accrued income payable to SAMA. Accordingly, they are included in unallocated liabilities.

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 at 30 September 2020 and 31 December 2019, its total revenues, expenses, and net income for the three-month and nine-month period then ended, are as follows:

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15. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (Unaudited)	<i>Insurance Operations</i>						<i>Total</i>	<i>Shareholders'</i>	<i>Total</i>
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident & liability</i>	<i>Insurance Operations</i>	<i>Operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>ASSETS</u>									
Reinsurers' share of unearned premiums	--	15,577	14,418	2,676	2,998	3,328	38,997	--	38,997
Reinsurers' share of outstanding claims	--	3,388	777	2,072	2,041	4,492	12,770	--	12,770
Reinsurers' share of claims incurred but not reported	108	2,600	3,538	1,282	1,368	910	9,806	--	9,806
Reinsurers' excess of loss claims	--	443	--	--	--	--	443	--	443
Deferred policy acquisition costs	1,000	6,019	1,610	284	306	781	10,000	--	10,000
Unallocated assets	--	--	--	--	--	--	204,061	179,065	383,126
TOTAL ASSETS	1,108	28,027	20,343	6,314	6,713	9,511	276,077	179,065	455,142
<u>LIABILITIES</u>									
Unearned premiums	23,093	76,738	15,813	3,029	3,757	6,072	128,502	--	128,502
Unearned reinsurance commission	--	1,792	3,378	577	842	888	7,477	--	7,477
Outstanding claims	9,258	12,252	841	2,251	2,788	6,637	34,027	--	34,027
Claims incurred but not reported	8,264	15,685	4,020	1,409	1,851	1,301	32,530	--	32,530
Other technical reserves	129	3,088	222	127	162	232	3,960	--	3,960
Unallocated liabilities	--	--	--	--	--	--	71,101	6,529	77,630
TOTAL LIABILITIES	40,744	109,555	24,274	7,393	9,400	15,130	277,597	6,529	284,126

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15. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019 (Audited)	<i>Insurance Operations</i>						<i>Total Insurance Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident & liability</i>			
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
ASSETS									
Reinsurers' share of unearned premiums	--	14,613	10,426	2,766	2,493	2,899	33,197	--	33,197
Reinsurers' share of outstanding claims	295	1,145	3,392	629	2,472	4,508	12,441	--	12,441
Reinsurers' share of claims incurred but not reported	437	3,182	4,664	1,835	1,580	2,254	13,952	--	13,952
Reinsurers' excess of loss claims	--	200	--	--	--	--	200	--	200
Deferred policy acquisition costs	1,785	5,120	1,152	257	434	574	9,322	--	9,322
Unallocated assets	--	--	--	--	--	--	191,009	170,080	361,089
TOTAL ASSETS	2,517	24,260	19,634	5,487	6,979	10,235	260,121	170,080	430,201
LIABILITIES									
Unearned premiums	28,706	73,703	11,571	3,068	3,384	5,828	126,260	--	126,260
Unearned reinsurance commission	--	1,501	2,462	551	774	720	6,008	--	6,008
Outstanding claims	11,889	5,766	3,725	720	2,798	6,580	31,478	--	31,478
Claims incurred but not reported	9,200	14,802	5,300	2,086	2,358	3,314	37,060	--	37,060
Premium deficiency reserve	2,355	1,000	--	376	70	--	3,801	--	3,801
Other technical reserves	146	1,501	40	373	47	105	2,212	--	2,212
Unallocated liabilities	--	--	--	--	--	--	57,318	7,480	64,798
TOTAL LIABILITIES	52,296	98,273	23,098	7,174	9,431	16,547	264,137	7,480	271,617

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15. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

For the three-month period ended 30 September 2020 (Unaudited)

	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	
REVENUES							
Gross written premiums	5,312	45,275	7,109	1,131	3,863	1,972	64,662
Reinsurance premiums ceded	--	(9,234)	(6,428)	(969)	(3,112)	(773)	(20,516)
Excess of loss expenses	(1,396)	(983)	486	(69)	(833)	(372)	(3,167)
Net written premiums	3,916	35,058	1,167	93	(82)	827	40,979
Changes in unearned premiums - net	10,064	170	(11)	(65)	325	291	10,774
Net premiums earned	13,980	35,228	1,156	28	243	1,118	51,753
Reinsurance commissions	--	994	1,709	242	951	513	4,409
Other underwriting income	7	4	3	1	6	3	24
TOTAL REVENUES	13,987	36,226	2,868	271	1,200	1,634	56,186
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	8,612	29,141	71	273	1,782	1,946	41,825
Expenses incurred related to claims	174	1,723	-	-	-	-	1,897
Less: Reinsurers' share of claims paid	(1,318)	(5,853)	(68)	(258)	(1,553)	(1,482)	(10,532)
Net claims and other benefits paid	7,468	25,011	3	15	229	464	33,190
Changes in outstanding claims – net	(1,380)	2,026	(10)	34	238	(47)	861
Changes in claims incurred but not reported – net	964	3,887	32	(24)	(51)	(78)	4,730
Net claims and other benefits incurred	7,052	30,924	25	25	416	339	38,781
Reversal of premium deficiency reserve	(695)	(3,529)	--	--	--	--	(4,224)
Other technical reserves	(152)	2,275	(2)	(356)	(3)	(39)	1,723
Policy acquisition costs	690	3,043	809	101	421	292	5,356
TOTAL UNDERWRITING COSTS AND EXPENSES	6,895	32,713	832	(230)	834	592	41,636
NET UNDERWRITING INCOME	7,092	3,513	2,036	501	366	1,042	14,550

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)**

	<i>For the three-month period ended 30 September 2020 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	
NET UNDERWRITING INCOME	7,092	3,513	2,036	501	366	1,042	14,550
OTHER OPERATING (EXPENSES) / INCOME							
Reversal for impairment of premium receivables							485
Reversal for impairment of reinsurance receivables							549
General and administration expenses							(19,460)
Commission income on deposits							378
Unrealized loss on investments							(1,899)
Unrealized gain on investments							4,923
Other income							583
TOTAL OTHER OPERATING (EXPENSES) - NET							(14,441)
Income before Surplus and Zakat							109
Income attributed to the insurance operations (transfer to surplus payable)							--
Income attributed to the shareholders before Zakat							109
Zakat charge							(523)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS							(414)

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)**

	<i>For the three-month period ended 30 September 2019 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident & liability</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
REVENUES							
Gross written premiums	26,006	40,262	6,222	841	4,078	5,444	82,853
Reinsurance premiums ceded	(21)	(8,593)	(5,681)	(722)	(3,055)	(1,149)	(19,221)
Excess of loss expenses	(372)	(880)	(867)	--	(32)	--	(2,151)
Net written premiums	25,613	30,789	(326)	119	991	4,295	61,481
Changes in unearned premiums – net	(8,310)	(10,666)	73	134	146	593	(18,030)
Net premiums earned	17,303	20,123	(253)	253	1,137	4,888	43,451
Reinsurance commissions	--	540	1,630	379	629	596	3,774
Other underwriting income	4	6	2	1	6	3	22
TOTAL REVENUES	17,307	20,669	1,379	633	1,772	5,487	47,247
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	8,610	21,420	(31)	1,389	454	154	31,996
Expenses incurred related to claims	863	940	--	--	--	--	1,803
Less: Reinsurers' share of claims paid	(5,625)	(3,674)	(10)	(1,282)	(364)	(131)	(11,086)
Net claims and other benefits paid	3,848	18,686	(41)	107	90	23	22,713
Changes in outstanding claims, net	7,314	(5,728)	(63)	(157)	(87)	(435)	844
Changes in claims incurred but not reported – net	3,852	748	(130)	5	(100)	(552)	3,823
Net claims and other benefits incurred	15,014	13,706	(234)	(45)	(97)	(964)	27,380
Reversal of premium deficiency reserve	2,264	(3,437)	(684)	--	--	--	(1,857)
Other technical reserves	75	(243)	(8)	(4)	(7)	(38)	(225)
Policy acquisition costs	678	1,232	749	171	253	466	3,549
TOTAL UNDERWRITING COSTS AND EXPENSES	18,031	11,258	(177)	122	149	(536)	28,847
NET UNDERWRITING (LOSS) / INCOME	(724)	9,411	1,556	511	1,623	6,023	18,400

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)**

	<i>For the three-month period ended 30 September 2019 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	<i>SR '000</i>
NET UNDERWRITING (LOSS) / INCOME	(724)	9,411	1,556	511	1,623	6,023	18,400
OTHER OPERATING (EXPENSES) / INCOME							
Provision for impairment of premium receivables							(710)
Reversal for impairment of reinsurance receivables							1,307
General and administration expenses							(17,029)
Commission income on deposits							784
Unrealized loss on investments							(2,846)
Other income							1,891
TOTAL OTHER OPERATING (EXPENSES) – NET							<u>(16,603)</u>
Income before Surplus and Zakat							1,797
Income attributed to the insurance operations (transfer to surplus payable)							<u>(448)</u>
Income attributed to the shareholders before Zakat							1,349
Zakat charge							<u>(817)</u>
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS							<u>532</u>

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)***For the nine-month period ended 30 September 2020 (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 & liability</i> SR '000	<i>Total</i> SR '000
REVENUES							
Gross written premiums	52,628	129,447	29,104	3,547	13,111	13,559	241,396
Reinsurance premiums ceded	--	(27,239)	(26,831)	(3,153)	(10,204)	(6,049)	(73,476)
Excess of loss expenses	(2,455)	(2,577)	(1,922)	(128)	(365)	(320)	(7,767)
Net written premiums	50,173	99,631	351	266	2,542	7,190	160,153
Changes in unearned premiums - net	5,407	(1,866)	(250)	(51)	132	188	3,560
Net premiums earned	55,580	97,765	101	215	2,674	7,378	163,713
Reinsurance commissions	--	2,812	5,192	832	3,406	1,463	13,705
Other underwriting income	23	16	8	3	18	13	81
TOTAL REVENUES	55,603	100,593	5,301	1,050	6,098	8,854	177,499
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	34,112	78,247	3,151	577	3,199	3,977	123,263
Expenses incurred related to claims	2,033	5,000	--	--	--	--	7,033
Less: Reinsurers' share of claims paid	(4,366)	(15,497)	(2,845)	(533)	(2,726)	(2,984)	(28,951)
Net claims and other benefits paid	31,779	67,750	306	44	473	993	101,345
Changes in outstanding claims – net	(2,337)	4,001	(269)	88	423	74	1,980
Changes in claims incurred but not reported – net	(607)	1,465	(154)	(123)	(294)	(672)	(385)
Net claims and other benefits incurred	28,835	73,216	(117)	9	602	395	102,940
Reversal of premium deficiency reserve	(2,355)	(1,000)	-	(376)	(70)	-	(3,801)
Other technical reserves	221	1,679	113	(347)	33	49	1,748
Policy acquisition costs	2,586	8,556	2,404	365	1,448	907	16,266
TOTAL UNDERWRITING COSTS AND EXPENSES	29,287	82,451	2,400	(349)	2,013	1,351	117,153
NET UNDERWRITING INCOME	26,316	18,142	2,901	1,399	4,085	7,503	60,346

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)**

	<i>For the nine-month period ended 30 September 2020 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident & liability</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
NET UNDERWRITING INCOME	26,316	18,142	2,901	1,399	4,085	7,503	60,346
OTHER OPERATING (EXPENSES) / INCOME							
Reversal for impairment of premium receivables							2,833
Reversal for impairment of reinsurance receivables							(21)
General and administration expenses							(54,738)
Commission income on deposits							1,455
Realized loss on investments							(1,899)
Unrealized gain on investments							1,955
Other income							6,748
TOTAL OTHER OPERATING (EXPENSES) - NET							(43,667)
Income before Surplus and Zakat							16,679
Income attributed to the insurance operations (transfer to surplus payable)							(1,844)
Income attributed to the shareholders before Zakat							14,835
Zakat charge							(2,403)
NET LOSS ATTRIBUTED TO THE SHAREHOLDERS							12,432

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)**

	<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	<i>SR '000</i>
REVENUES							
Gross written premiums	60,151	94,843	28,330	3,916	12,973	19,080	219,293
Reinsurance premiums ceded	(37)	(20,036)	(25,977)	(3,497)	(9,025)	(6,581)	(65,153)
Excess of loss expenses	(1,488)	(3,520)	(3,457)	--	(128)	--	(8,593)
Net written premiums	58,626	71,287	(1,104)	419	3,820	12,499	145,547
Changes in unearned premiums – net	(30,122)	555	(487)	51	268	(142)	(29,877)
Net premiums earned	28,504	71,842	(1,591)	470	4,088	12,357	115,670
Reinsurance commissions	--	4,178	4,819	1,195	3,230	1,682	15,104
Other underwriting income	8	21	7	4	20	14	74
TOTAL REVENUES	28,512	76,041	3,235	1,669	7,338	14,053	130,848
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	32,030	70,927	14,428	2,509	2,763	1,550	124,207
Expenses incurred related to claims	2,416	4,569	--	--	--	--	6,985
Less: Reinsurers' share of claims paid	(23,677)	(11,931)	(12,945)	(2,344)	(1,739)	(1,114)	(53,750)
Net claims and other benefits paid	10,769	63,565	1,483	165	1,024	436	77,442
Changes in outstanding claims, net	10,084	(4,137)	(1,684)	(191)	(1,187)	(924)	1,961
Changes in claims incurred but not reported – net	6,233	(1,198)	(82)	42	352	72	5,419
Net claims and other benefits incurred	27,086	58,230	(283)	16	189	(416)	84,822
Provision / (reversal) for premium deficiency reserve	2,731	(7,151)	(1,090)	(376)	--	(490)	(6,376)
Other technical reserves	145	(224)	(565)	9	(81)	(44)	(760)
Policy acquisition costs	1,159	4,086	2,054	552	987	1,302	10,140
TOTAL UNDERWRITING COSTS AND EXPENSES	31,121	54,941	116	201	1,095	352	87,826
NET UNDERWRITING (LOSS) / INCOME	(2,609)	21,100	3,119	1,468	6,243	13,701	43,022

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15. OPERATING SEGMENTS (continued)**INTERIM CONDENSED STATEMENT OF INCOME (continued)**

	<i>For the nine-month period ended 30 September 2019 (Unaudited)</i>						
	<i>Medical</i>	<i>Motor</i>	<i>Property</i>	<i>Engineering</i>	<i>Marine</i>	<i>Accident</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>& liability</i>	<i>SR '000</i>
						<i>SR '000</i>	<i>SR '000</i>
NET UNDERWRITING (LOSS) / INCOME	(2,609)	21,100	3,119	1,468	6,243	13,701	43,022
OTHER OPERATING (EXPENSES) / INCOME							
Provision of impairment of premium receivables							(1,178)
Reversal for impairment of reinsurance receivables							627
General and administration expenses							(47,111)
Commission income on deposits							2,850
Realized gain on investments							780
Unrealized gain on investments							3,866
Other income							6,180
TOTAL OTHER OPERATING EXPENSES - NET							<u>(33,986)</u>
Income before Surplus and Zakat							9,036
Income attributed to the insurance operations (transfer to surplus payable)							<u>(468)</u>
Income attributed to the shareholders before Zakat							8,568
Zakat charge							<u>(2,682)</u>
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS							<u>5,886</u>

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16. RELATED PARTY TRANSACTIONS AND BALANCES

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 the 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</u>				<u>Balance receivable / (payable)</u>	
			<u>Three-month period ended 30 September 2020 (Unaudited) SR'000</u>	<u>Three-month period ended 30 September 2019 (Unaudited) SR'000</u>	<u>Nine-month period ended 30 September 2020 (Unaudited) SR'000</u>	<u>Nine-month period ended 30 September 2019 (Unaudited) SR'000</u>	<u>30 September 2020 (Unaudited) SR'000</u>	<u>31 December 2019 (Audited) SR'000</u>
Insurance operations								
Gulf Cooperation Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	--	--	1,088	1,088
Saudi General Insurance Company Ltd. E.C.	Shareholder	Expenses paid	--	--	--	--	(309)	(309)
Rolaco Group	Related to shareholders	Premiums underwritten (note 6)	24	36	159	693	31	15
		Claims paid	(4)	--	(6)	(2)	(1)	--
Dabbagh Group	Related to shareholders	Premiums underwritten (note 6)	(36)	57	11,641	4,860	5,915	307
		Claims paid	(1,339)	(617)	(5,506)	(1,960)	(2,253)	(303)
Farouk, Maamoun Tamer & Company	Shareholder	Premiums underwritten (note 6)	--	1,340	--	8,818	--	86
		Claims paid	--	(539)	--	(1,188)	--	(1,201)
Raghaf Establishment	Related to shareholders	Premiums underwritten (note 6)	1	--	113	--	--	--
		Claims paid	(2)	--	(67)	--	(1)	--
Key Management Personnel		Short-term benefits	(768)	(738)	(2,304)	(2,194)	--	--
		Long-term benefits	(37)	(36)	(111)	(127)	(667)	(556)
Shareholders' operations								
Board of Directors		Board of Directors remuneration and related expenses	450	450	1350	1,350	(1350)	(1,800)

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

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17. ZAKAT**17.1 Zakat provision**

Movements in the Zakat provision during the nine-month period ended 30 September 2020 and year ended 31 December 2019 are as follows:

	<i>30 September 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Balance as at beginning of the period / year	3,342	11,500
Provided during the period / year	2,403	3,223
Reversal for prior periods / years	--	(5,747)
Paid during the period / year	<u>(3,189)</u>	<u>(5,634)</u>
Balance as at end of the period / year	<u>2,556</u>	<u>3,342</u>

17.2 Status of assessments

The Company has finalized its Zakat and withholding status for the period / years from 31 December 2010 to 2015, after reaching a final settlement for Zakat and withholding tax of SR 1.8 million and SR 1.1 million at the Dispute Resolution Committee.

The Company filed its Zakat returns for the years 31 December 2016 and 2017 and obtained the related Zakat certificates. In line with the previous assessment, the Company obtained the GAZT approval to apply the same withholding tax treatment for the above years and settled additional withholding tax of SR 1.8 million.

The Company filed its Zakat returns for the years 31 December 2018 and 2019. The GAZT issued Zakat and withholding tax assessment for the years 31 December 2016 to 2018 and claimed additional Zakat and withholding tax liabilities of SR 20 million. The Company is in the process of objecting against the said assessment.

18. SHARE CAPITAL

The share capital of the Company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2019: 20 million shares of SR 10 each). The shareholding structure of the Company is as below.

	<u>30 September 2020 (Unaudited)</u>		<u>31 December 2019 (Audited)</u>	
	<i>Percentage of holding</i>	<i>Amount SR '000</i>	<i>Percentage of holding</i>	<i>Amount SR '000</i>
Founding shareholders	35%	75,800	35%	75,800
General public	65%	124,200	65%	124,200
	<u>100%</u>	<u>200,000</u>	<u>100%</u>	<u>200,000</u>

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18. SHARE CAPITAL (continued)

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

19. 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.

20. EARNINGS PER SHARE

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Net income for the period attributable to the shareholders of the Company (SR '000')	<u>12,432</u>	<u>5,886</u>
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	<u>20,000</u>	<u>20,000</u>
Basic and diluted earnings per share based on net income for the period attributable to shareholders of the Company (SR)	<u><u>0.62</u></u>	<u><u>0.29</u></u>

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. In the absence of any convertible liability, the diluted earnings per share do not differ from the basic earnings per share.

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21. SUPPLEMENTARY INFORMATION

As required by the Implementing Regulations, the statement of financial position, statement of income and statement of cash flows separately for insurance operations and shareholders operations are as follows:

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	<i>30 September 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>ASSETS</u>						
Cash and cash equivalents	83,137	87,734	170,871	45,258	68,557	113,815
Murabaha deposits	--	--	--	30,000	--	30,000
Premiums receivable – net	64,413	--	64,413	74,763	--	74,763
Due from reinsurers – net	15,841	--	15,841	17,430	--	17,430
Reinsurers' share of unearned premiums	38,997	--	38,997	33,197	--	33,197
Reinsurers' share of outstanding claims	12,770	--	12,770	12,441	--	12,441
Reinsurers' share of claims incurred but not reported	9,806	--	9,806	13,952	--	13,952
Reinsurers' excess of loss claims	443	--	443	200	--	200
Deferred policy acquisition costs	10,000	--	10,000	9,322	--	9,322
Investments	--	32,675	32,675	--	43,348	43,348
Due from / (to) insurance operations	--	1,827	1,827	--	(4,311)	(4,311)
Prepayments and other assets	25,206	202	25,408	8,500	49	8,549
Property and equipment	6,196	--	6,196	5,459	--	5,459
Right-of-use assets	2,933	--	2,933	3,735	--	3,735
Intangible assets	6,335	--	6,335	5,864	--	5,864
Goodwill	--	36,260	36,260	--	36,260	36,260
Statutory deposit	--	20,000	20,000	--	20,000	20,000
Accrued income on statutory deposit	--	2,194	2,194	--	1,866	1,866
TOTAL OPERATIONS ASSETS	276,077	180,892	456,969	260,121	165,769	425,890
Less: Inter-operations eliminations	--	(1,827)	(1,827)	--	4,311	4,311
TOTAL ASSETS	276,077	179,065	455,142	260,121	170,080	430,201

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

	<i>30 September 2020 (Unaudited)</i>			<i>31 December 2019 (Audited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
LIABILITIES						
Due to policyholders	10,086	--	10,086	10,750	--	10,750
Accrued expenses and other liabilities	13,508	1,779	15,287	12,285	2,272	14,557
Due to reinsurers	15,240	--	15,240	4,033	--	4,033
Due to brokers	13,166	--	13,166	13,080	--	13,080
Unearned premiums	128,502	--	128,502	126,260	--	126,260
Unearned reinsurance commission	7,477	--	7,477	6,008	--	6,008
Outstanding claims	34,027	--	34,027	31,478	--	31,478
Claims incurred but not reported	32,530	--	32,530	37,060	--	37,060
Premium deficiency reserve	--	--	--	3,801	--	3,801
Other technical reserves	3,960	--	3,960	2,212	--	2,212
Due to / (from) shareholders' operations	(1,827)	--	(1,827)	(4,311)	--	(4,311)
Employees' defined benefit obligations	5,586	--	5,586	4,852	--	4,852
Lease liabilities	2,665	--	2,665	3,280	--	3,280
Insurance operations' surplus payable	10,850	--	10,850	9,038	--	9,038
Accrued Zakat	--	2,556	2,556	--	3,342	3,342
Accrued income payable to SAMA	--	2,194	2,194	--	1,866	1,866
TOTAL OPERATIONS LIABILITIES	275,770	6,529	282,299	259,826	7,480	267,306
Less: Inter-operations eliminations	1,827	--	1,827	4,311	--	4,311
TOTAL LIABILITIES	277,597	6,529	284,126	264,137	7,480	271,617
EQUITY						
Share capital	--	200,000	200,000	--	200,000	200,000
Statutory reserve	--	2,165	2,165	--	2,165	2,165
Accumulated losses	--	(31,456)	(31,456)	--	(43,888)	(43,888)
Re-measurement reserve of defined benefit obligations	307	--	307	307	--	307
TOTAL EQUITY	307	170,709	171,016	307	158,277	158,584
TOTAL LIABILITIES AND EQUITY	277,904	177,238	455,142	264,444	165,757	430,201

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME

For the three-month period ended

	<i>30 September 2020 (Unaudited)</i>			<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance</i>	<i>Shareholders</i>	<i>Total</i>	<i>Insurance</i>	<i>Shareholders</i>	<i>Total</i>
	<i>operations</i>	<i>' operations</i>		<i>operations</i>	<i>' operations</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>REVENUES</u>						
Gross written premiums	64,662	--	64,662	82,853	--	82,853
Reinsurance premiums ceded	(20,516)	--	(20,516)	(19,221)	--	(19,221)
Excess of loss expenses	(3,167)	--	(3,167)	(2,151)	--	(2,151)
Net written premiums	40,979	--	40,979	61,481	--	61,481
Changes in unearned premiums – net	10,774	--	10,774	(18,030)	--	(18,030)
Net premiums earned	51,753	--	51,753	43,451	--	43,451
Reinsurance commissions	4,409	--	4,409	3,774	--	3,774
Other underwriting income	24	--	24	22	--	22
TOTAL REVENUES	56,186	--	56,186	47,247	--	47,247
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	41,825	--	41,825	31,996	--	31,996
Expenses incurred related to claims	1,897	--	1,897	1,803	--	1,803
Less: Reinsurers' share of claims paid	(10,532)	--	(10,532)	(11,086)	--	(11,086)
Net claims and other benefits paid	33,190	--	33,190	22,713	--	22,713
Change in net outstanding claims – net	861	--	861	844	--	844
Changes in claims incurred but not reported – net	4,730	--	4,730	3,823	--	3,823
Net claims and other benefits incurred	38,781	--	38,781	27,380	--	27,380
Reversal of premium deficiency reserve	(4,224)	--	(4,224)	(1,857)	--	(1,857)
Other technical reserves	1,723	--	1,723	(225)	--	(225)
Policy acquisition costs	5,356	--	5,356	3,549	--	3,549
TOTAL UNDERWRITING COSTS AND EXPENSES	41,636	--	41,636	28,847	--	28,847
NET UNDERWRITING INCOME	14,550	--	14,550	18,400	--	18,400

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

For the three-month period ended

	<i>30 September 2020 (Unaudited)</i>			<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Reversal / (provision) for impairment of premium receivables	485	--	485	(710)	--	(710)
Reversal for impairment of reinsurance receivables	549	--	549	1,307	--	1,307
General and administration expenses	(18,583)	(877)	(19,460)	(16,335)	(694)	(17,029)
Commission income on deposits	174	204	378	318	466	784
Realized loss on investments	--	(1,899)	(1,899)	--	--	--
Unrealized gain / (loss) on investments	--	4,923	4,923	--	(2,846)	(2,846)
Other income	505	78	583	1,504	387	1,891
TOTAL OTHER OPERATING EXPENSES - NET	(16,870)	2,429	(14,441)	(13,916)	(2,687)	(16,603)
Income before Surplus and Zakat	(2,320)	2,429	109	4,484	(2,687)	1,797
Surplus transferred to Shareholders (note 1)	2,320	(2,320)	--	(4,036)	4,036	--
NET INCOME FOR THE PERIOD AFTER TRANSFER OF SURPLUS TO THE SHAREHOLDERS BEFORE ZAKAT	--	109	109	448	1,349	1,797
Zakat charge	--	(523)	(523)	--	(817)	(817)
NET (LOSS) / INCOME FOR THE PERIOD	--	(414)	(414)	448	532	980
Basic and diluted (loss) / earnings per share (SR per share)		(0.02)			0.03	

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21. SUPPLEMENTARY INFORMATION (continued)**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

For the three-month period ended

	<i>30 September 2020 (Unaudited)</i>			<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET (LOSS) / INCOME FOR THE PERIOD	--	(414)	(414)	448	532	980
Other comprehensive income / (loss)	--	--	--	--	--	--
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	--	(414)	(414)	448	532	980
Less: net income attributable to insurance operations	--	--	--	--	--	(448)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			(414)			532

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME

For the nine-month period ended

	30 September 2020 (Unaudited)			30 September 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
REVENUES						
Gross written premiums	241,396	--	241,396	219,293	--	219,293
Reinsurance premiums ceded	(73,476)	--	(73,476)	(65,153)	--	(65,153)
Excess of loss expenses	(7,767)	--	(7,767)	(8,593)	--	(8,593)
Net written premiums	160,153	--	160,153	145,547	--	145,547
Changes in unearned premiums – net	3,560	--	3,560	(29,877)	--	(29,877)
Net premiums earned	163,713	--	163,713	115,670	--	115,670
Commission earned on ceded reinsurance	13,705	--	13,705	15,104	--	15,104
Other underwriting income	81	--	81	74	--	74
TOTAL REVENUES	177,499	--	177,499	130,848	--	130,848
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	123,263	--	123,263	124,207	--	124,207
Expenses incurred related to claims	7,033	--	7,033	6,985	--	6,985
Less: Reinsurers' share of claims paid	(28,951)	--	(28,951)	(53,750)	--	(53,750)
Net claims and other benefits paid	101,345	--	101,345	77,442	--	77,442
Change in net outstanding claims - net	1,980	--	1,980	1,961	--	1,961
Changes in claims incurred but not reported - net	(385)	--	(385)	5,419	--	5,419
Net claims and other benefits incurred	102,940	--	102,940	84,822	--	84,822
Reversal of premium deficiency reserve	(3,801)	--	(3,801)	(6,376)	--	(6,376)
Other technical reserves	1,748	--	1,748	(760)	--	(760)
Policy acquisition costs	16,266	--	16,266	10,140	--	10,140
TOTAL UNDERWRITING COSTS AND EXPENSES	117,153	--	117,153	87,826	--	87,826
NET UNDERWRITING INCOME	60,346	--	60,346	43,022	--	43,022

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

For the nine-month period ended

	<i>30 September 2020 (Unaudited)</i>			<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>OTHER OPERATING (EXPENSES) / INCOME</u>						
Reversal / (provision) for impairment of premium receivables	2,833	--	2,833	(1,178)	--	(1,178)
(Provision) / reversal for impairment of reinsurance receivables	(21)	--	(21)	627	--	627
General and administration expenses	(51,699)	(3,039)	(54,738)	(44,470)	(2,641)	(47,111)
Commission income on deposits	735	720	1,455	1,271	1,579	2,850
Realized (loss) / gain on investments	--	(1,899)	(1,899)	--	780	780
Unrealized gain on investments	--	1,955	1,955	--	3,866	3,866
Other income	6,243	505	6,748	5,407	773	6,180
TOTAL OTHER OPERATING EXPENSES – NET	(41,909)	(1,758)	(43,667)	(38,343)	4,357	(33,986)
Income before Surplus and Zakat	18,437	(1,758)	16,679	4,679	4,357	9,036
Surplus transferred to Shareholders (note 1)	(16,593)	16,593	--	(4,211)	4,211	--
NET INCOME FOR THE PERIOD AFTER TRANSFER OF SURPLUS TO THE SHAREHOLDERS BEFORE ZAKAT	1,844	14,835	16,679	468	8,568	9,036
Zakat charge	--	(2,403)	(2,403)	--	(2,682)	(2,682)
NET INCOME FOR THE PERIOD	1,844	12,432	14,276	468	5,886	6,354
Basic and diluted earnings per share (SR per share)		0.62			0.29	

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21. SUPPLEMENTARY INFORMATION (continued)**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

For the nine-month period ended

	<i>30 September 2020 (Unaudited)</i>			<i>30 September 2019 (Unaudited)</i>		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
NET INCOME FOR THE PERIOD	1,844	12,432	14,276	468	5,886	6,354
Other comprehensive income / (loss)	--	--	--	--	--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,844	12,432	14,276	468	5,886	6,354
Less: Net income attributable to insurance operations	--	--	(1,844)	--	--	(468)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			12,432			5,886

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended

	30 September 2020 (Unaudited)			30 September 2019 (Unaudited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period	1,844	12,432	14,276	468	8,568	9,036
<u>Adjustments for non-cash items:</u>						
Zakat charge	--	2,403	2,403	1,132	--	1,132
Depreciation on property and equipment	1,609	--	1,609	655	--	655
Amortization on intangible assets	1,033	--	1,033	--	--	--
Amortization on right-of-use assets	802	--	802	--	--	--
(Reversal) / provision for impairment of premium receivables	(2,833)	--	(2,833)	(627)	--	(627)
Provision for impairment of reinsurance receivables	21	--	21	1,178	--	1,178
Realized gain on investments held at FVIS	--	1,899	1,899	--	(780)	(780)
Unrealized loss / (gain) on investments held at FVIS	--	(1,955)	(1,955)	--	(3,866)	(3,866)
	<u>2,476</u>	<u>14,779</u>	<u>17,255</u>	<u>2,806</u>	<u>3,922</u>	<u>6,728</u>
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable – net	13,183	--	13,183	(32,215)	--	(32,215)
Due from reinsurers – net	1,568	--	1,568	(3,691)	--	(3,691)
Reinsurers' share of unearned premiums	(5,800)	--	(5,800)	(1,504)	--	(1,504)
Reinsurer's share of outstanding claims	(329)	--	(329)	26,563	--	26,563
Reinsurer's share of claims incurred but not reported	4,146	--	4,146	2,139	--	2,139
Deferred excess of loss claims	(243)	--	(243)	1,530	--	1,530
Deferred policy acquisition costs	(678)	--	(678)	(1,799)	--	(1,799)
Prepayments and other assets	(16,706)	(153)	(16,859)	(4,134)	(853)	(4,987)
Due from shareholders' operations	2,484	(2,484)	--	13,186	(13,186)	--
Due to policyholders	(664)	--	(664)	(80)	--	(80)
Accrued expenses and other liabilities	1,235	(505)	730	(542)	(577)	(1,119)
Due to reinsurers	11,207	--	11,207	(7,888)	--	(7,888)
Due to brokers	86	--	86	442	--	442
Unearned premiums	2,242	--	2,242	31,383	--	31,383

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21. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

For the nine-month period ended

	30 September 2020 (Unaudited)			30 September 2019 (Unaudited)		
	Insurance	Shareholders'	Total	Insurance	Shareholders'	Total
	operations	operations		operations	operations	
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
<u>Changes in operating assets and liabilities (continued)</u>						
Unearned reinsurance commission	1,469	--	1,469	861	--	861
Outstanding claims	2,549	--	2,549	(26,130)	--	(26,130)
Claims incurred but not reported	(4,530)	--	(4,530)	3,277	--	3,277
Premium deficiency reserve	(3,801)	--	(3,801)	(6,376)	--	(6,376)
Other technical reserves	1,748	--	1,748	(761)	--	(761)
Employees defined benefit obligations	734	--	734	(2,625)	--	(2,625)
	9,900	(3,142)	6,758	(8,364)	(14,616)	(22,980)
Surplus paid to policy holders	(32)	--	(32)	--	--	--
Zakat paid	--	(3,189)	(3,189)	--	(3,847)	(3,847)
Net cash generated from / (used in) operating activities	12,344	8,448	20,792	(5,558)	(14,541)	(20,099)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to property and equipment	(2,346)	--	(2,346)	(1,140)	--	(1,140)
Additions to intangible assets	(1,504)	--	(1,504)	(944)	--	(944)
Disposal of investments held at FVIS	--	10,729	10,729	--	2,670	2,670
Proceeds from maturity of Murabaha deposits	30,000	--	30,000	--	82,000	82,000
Net cash generated from investing activities	26,150	10,729	36,879	(2,084)	84,670	82,586
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	(615)	--	(615)	--	--	--
Net cash used in financing activities	(615)	--	(615)	--	--	--
Net increase in cash and cash equivalents	37,879	19,177	57,056	(7,642)	70,129	62,487
Cash and cash equivalents at the beginning of the period	45,258	68,557	113,815	87,627	2,760	90,387
Cash and cash equivalents at the end of the period	83,137	87,734	170,871	79,985	72,889	152,874

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22. IMPACT OF COVID-19

The outbreak of COVID-19 pandemic, since early 2020, its spread across various geographies globally including the Kingdom of Saudi Arabia, has resulted globally in governmental authorities imposing quarantines and travel restrictions of varying scope. The COVID-19 has led to significant disruptions in the retail, travel and hospitality industries, and in global trade. It has also resulted in decreased economic activity and lowered estimates for future economic growth and has caused global financial markets to experience significant volatility.

The Company established plans to address how it will manage the effects of the outbreak and assessed disruptions and other risks to its operations. These include the protection of employees, sustaining services to clients and other stakeholders. This necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019.

The major impact of COVID-19 pandemic is seen in medical and motor line of business as explained below. As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic, and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

Medical technical reserves

Based on the management's assessment, the management believes that the Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing any unfavourable impact. During the lockdown, the Company saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since 21 June 2020, the Company is experiencing a surge in claims which is in line with the expectations of the Company's management. The Company's management in conjunction with its appointed actuary, has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as at 30 September 2020 for its liability adequacy test, based on the results no additional liability recorded as premium deficiency reserve as at 30 September 2020.

Motor technical reserves

In response to the COVID-19 pandemic, SAMA issued a circular 189 (the "circular") dated 8 May 2020 to all insurance companies in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurance companies to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.

For new retail motor policies issued as per above circular, the premium is earned over the period of 12 month as the impact of earnings over the period of coverage. i.e 14 month are not considered significant by the management for the period ended 30 September 2020 and subsequent periods.

The Company's management in conjunction with its appointed actuary, has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at an aggregated level for motor line of business, based on the results no additional liability recorded as premium deficiency reserve as at 30 September 2020.

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22. IMPACT OF COVID-19 (continued)

Financial assets

To cater for any potential impacts, the COVID-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the three and nine-month periods ended 30 September 2020. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments. The Company's management continues to monitor the situation closely.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on 01 November 2020.