

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

**INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 June 2020

with

INDEPENDENT AUDITORS' REVIEW REPORT

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2020

Contents	Page No.
Independent Auditors' Review Report	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Income	3
Interim Condensed Statement of Comprehensive Income	4
Interim Condensed Statement of Changes in Equity	5
Interim Condensed Statement of Cash Flows	6 – 7
Notes to the Interim Condensed Financial Statements	8 – 48



KPMG Al Fozan & Partners
Certified Public Accountants
License No. 46/11/323
Issued 11/3/1992
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia



Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants
License No. 520/11/323
P.O. Box 15651
Jeddah 21454
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' 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 June 2020, and the related interim condensed statements of income, comprehensive income for the three-month and six-month periods then ended and the interim condensed statements of changes in equity and cash flows for the six-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

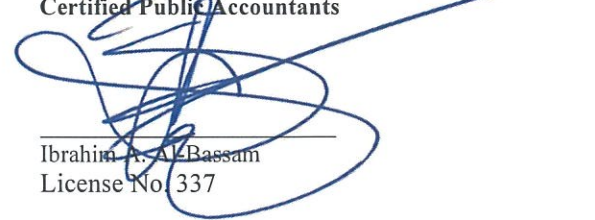
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

for KPMG Al Fozan & Partners
Certified Public Accountants



Nasser Ahmed Al Shutairy
License No. 454

for Al-Bassam & Co.
Certified Public Accountants



Ibrahim A. Al-Bassam
License No. 337



Jeddah, Kingdom of Saudi Arabia
1 Muharram 1442H
Corresponding to 20 August 2020



GULF GENERAL COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	<u>Notes</u>	<i>30 June 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
<u>ASSETS</u>			
Cash and cash equivalents	4	162,667	113,815
Murabaha deposits	5	--	30,000
Premiums receivable – net	6	82,417	74,763
Due from reinsurers – net		17,576	17,430
Reinsurers' share of unearned premiums	9.1	40,698	33,197
Reinsurers' share of outstanding claims	9.2	11,819	12,441
Reinsurers' share of claims incurred but not reported	9.2	9,481	13,952
Reinsurers' excess of loss claims		294	200
Deferred policy acquisition costs		10,354	9,322
Investments	7	40,380	43,348
Prepayments and other assets		15,569	8,549
Property and equipment		5,310	5,459
Right-of-use assets		3,203	3,735
Intangible assets		6,184	5,864
Goodwill	1	36,260	36,260
Statutory deposit	8	20,000	20,000
Accrued income on statutory deposit	8	2,109	1,866
TOTAL ASSETS		464,321	430,201
<u>LIABILITIES</u>			
Due to policyholders		10,509	10,750
Accrued expenses and other liabilities		15,240	14,557
Due to reinsurers		12,283	4,033
Due to brokers		13,762	13,080
Unearned premiums	9.1	140,976	126,260
Unearned reinsurance commission		8,004	6,008
Outstanding claims	9.2	32,067	31,478
Claims incurred but not reported	9.2	27,474	37,060
Premium deficiency reserve	9.2	4,224	3,801
Other technical reserves	9.2	2,235	2,212
Employees' defined benefit obligations		5,301	4,852
Lease liabilities		2,634	3,280
Insurance operations' surplus payable		11,083	9,038
Accrued Zakat	15	5,222	3,342
Accrued income payable to SAMA	8	2,109	1,866
TOTAL LIABILITIES		293,123	271,617
<u>EQUITY</u>			
Share capital	16	200,000	200,000
Statutory reserve		2,165	2,165
Accumulated losses		(31,274)	(43,888)
Re-measurement reserve of defined benefit obligations		307	307
TOTAL EQUITY		171,198	158,584
TOTAL LIABILITIES AND EQUITY		464,321	430,201


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME (Unaudited)

For the three-month and six-month periods ended 30 June 2020

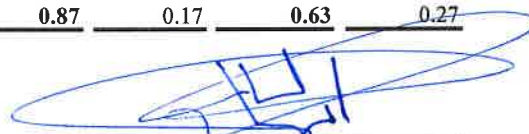
	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2020 SR'000	2019 SR'000	2020 SR'000	2019 SR'000
REVENUES					
Gross written premiums	10	46,868	51,075	176,734	136,440
Less: Reinsurance premiums ceded					
- Local		(572)	(612)	(1,558)	(1,933)
- Foreign		(17,804)	(15,008)	(51,402)	(43,999)
Excess of loss expenses		(2,300)	(3,226)	(4,600)	(6,442)
Net written premiums		26,192	32,229	119,174	84,066
Changes in unearned premiums – net		30,344	3,496	(7,214)	(11,847)
Net premiums earned		56,536	35,725	111,960	72,219
Reinsurance commissions		5,212	4,616	9,296	11,330
Other underwriting income		19	22	57	52
TOTAL REVENUES		61,767	40,363	121,313	83,601
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		29,078	40,327	81,438	92,211
Expenses incurred related to claims		1,965	3,492	5,136	5,182
Less: Reinsurers' share of claims paid		(5,001)	(16,493)	(18,419)	(42,664)
Net claims and other benefits paid		26,042	27,326	68,155	54,729
Change in outstanding claims - net		(1,264)	(410)	1,119	1,117
Changes in claims incurred but not reported - net		(1,252)	119	(5,115)	1,596
Net claims and other benefits incurred		23,526	27,035	64,159	57,442
Provision / (reversal) of premium deficiency reserve		4,128	(5,935)	423	(4,519)
Other technical reserves		(671)	(542)	25	(535)
Policy acquisition costs		5,699	2,608	10,910	6,591
TOTAL UNDERWRITING COSTS AND EXPENSES		32,682	23,166	75,517	58,979
NET UNDERWRITING INCOME		29,085	17,197	45,796	24,622
OTHER OPERATING (EXPENSES) / INCOME					
(Provision) / reversal for impairment of premium receivables	6	(2,124)	(1,492)	2,348	(468)
Provision for impairment of reinsurance receivables		(167)	(301)	(570)	(680)
General and administration expenses		(16,341)	(15,282)	(35,278)	(30,082)
Commission income on deposits		429	970	1,077	2,066
Realized gain on investments	7	--	780	--	780
Unrealized gain / (loss) on investments	7	5,047	599	(2,968)	6,712
Other income		4,373	2,126	6,165	4,289
TOTAL OTHER OPERATING (EXPENSES) - NET		(8,783)	(12,600)	(29,226)	(17,383)
Income before Surplus and Zakat		20,302	4,597	16,570	7,239
Income attributed to the insurance operations (transfer to surplus payable)	19	(1,552)	(307)	(2,076)	(19)
Income attributed to the shareholders before Zakat		18,750	4,290	14,494	7,220
Zakat charge	15	(1,379)	(865)	(1,880)	(1,865)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS		17,371	3,425	12,614	5,355
Basic and diluted earnings per share (SR per share)	18	0.87	0.17	0.63	0.27



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the three-month and six-month periods ended 30 June 2020

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2020 SR'000</i>	<i>2019 SR'000</i>	<i>2020 SR'000</i>	<i>2019 SR'000</i>
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS	17,371	3,425	12,614	5,355
Other comprehensive income / (loss)	--	--	--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	17,371	3,425	12,614	5,355



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 21 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 six-month period ended 30 June 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	--	--	12,614	--	12,614
Balance as at 30 June 2020 (Unaudited)	200,000	2,165	(31,274)	307	171,198

	<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	--	--	5,355	--	5,355
Balance as at 30 June 2019 (Unaudited)	200,000	2,165	(37,585)	624	165,204



Director



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the six-month period ended 30 June 2020

	<u>Notes</u>	<i>30 June 2020 (Unaudited) SR'000</i>	<i>30 June 2019 (Unaudited) SR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributed to the shareholders after Zakat		12,614	5,355
<u>Adjustments for non-cash items:</u>			
Net income attributed to insurance operations		2,076	19
Zakat charge	15	1,880	1,865
Depreciation on property and equipment		1,045	751
Amortization on right-of-use assets		533	--
Amortization of intangible assets		660	424
(Reversal) / provision for impairment of premium receivables	6	(2,348)	468
Provision for impairment of reinsurance receivables		570	680
Realised gain on investments held at FVIS	7	--	(780)
Unrealised loss / (gain) on investments held at FVIS	7	2,968	(6,712)
		<u>19,998</u>	<u>2,070</u>
<u>Changes in operating assets and liabilities:</u>			
Premiums receivable - net		(5,306)	(15,285)
Due from reinsurers - net		(716)	(3,308)
Reinsurers' share of unearned premiums		(7,501)	(9,150)
Reinsurers' share of outstanding claims		622	23,891
Reinsurers' share of claims incurred but not reported		4,471	(3,084)
Reinsurers' excess of loss claims		(94)	283
Deferred policy acquisition costs		(1,032)	(1,359)
Prepayments and other assets		(7,020)	(8,145)
Due to policyholders		(241)	502
Accrued expenses and other liabilities		683	(4,138)
Due to reinsurers		8,250	(2,453)
Due to brokers		682	1,807
Unearned premiums		14,716	21,000
Unearned reinsurance commission		1,996	1,057
Outstanding claims		589	(23,059)
Claims incurred but not reported		(9,586)	4,678
Premium deficiency reserve		423	(4,519)
Other technical reserves		23	(534)
Employees defined benefit obligations		449	(106)
		<u>21,406</u>	<u>(19,852)</u>
Surplus paid to policy holders		(32)	--
Zakat paid		--	(3,847)
Net cash generated from / (used in) operating activities		<u>21,374</u>	<u>(23,699)</u>


Director


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited) (continued)

For the six-month period ended 30 June 2020

	<u>Notes</u>	<i>30 June 2020 (Unaudited) SR'000</i>	<i>30 June 2019 (Unaudited) SR'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(896)	(1,019)
Additions to intangible assets		(980)	(716)
Disposal of investments held at FVIS		--	2,670
Proceeds from maturity of Murabaha deposits		30,000	82,000
Net cash generated from investing activities		28,124	82,935
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(646)	--
Net increase in cash and cash equivalents		48,852	59,236
Cash and cash equivalents at the beginning of the period		113,815	90,387
Cash and cash equivalents at the end of the period	4	162,667	149,623


Director
Chief Financial Officer
Chief Executive Officer

The accompanying notes 1 to 21 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 June 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 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 19 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 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 20). 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 six-month periods ended 30 June 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 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;

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 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 June 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 June 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:

Impact area

Summary of impact

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

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 June 2020, the Company has total financial assets and insurance related assets amounting to SR 325 million (31 December 2019: SR 301 million) and SR 73 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 165 million (31 December 2019: SR 146 million). Investments are carried currently at fair value through statement of income at SR 38 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand	23	32
Cash at banks (see note below)	27,185	11,226
Murabaha deposits with maturity less than three months (see note 5)	<u>64,128</u>	<u>34,000</u>
	<u>91,336</u>	<u>45,258</u>
<i>Shareholders' operations</i>		
Cash at banks	9,181	6,557
Murabaha deposits with maturity less than three months (see note 5)	<u>62,150</u>	<u>62,000</u>
	<u>71,331</u>	<u>68,557</u>
Total of cash and cash equivalents	<u>162,667</u>	<u>113,815</u>

- a) At 30 June 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 14).
- b) Murabaha deposits earn commission at an average rate of 1.76% per annum as at 30 June 2020 (31 December 2019: 2.66% per annum).

5. MURABAHA DEPOSITS

Murabaha deposits comprises the following:

	30 June 2020 (Unaudited) SR'000	31 December 2019 (Audited) SR'000
<i>Insurance operations</i>		
Murabaha deposits	64,128	64,000
Less: Murabaha deposits with maturity less than three months (see note 4)	<u>(64,128)</u>	<u>(34,000)</u>
	<u>--</u>	<u>30,000</u>
<i>Shareholders' operations</i>		
Murabaha deposits	62,150	62,000
Less: Murabaha deposits with maturity less than three months (see note 4)	<u>(62,150)</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 1.76% per annum as at 30 June 2020 (31 December 2019: 2.66% per annum).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

6. PREMIUMS RECEIVABLE - NET

Premiums receivable due from the following:

	<i>30 June 2020 (Unaudited) SR'000</i>	<i>31 December 2019 (Audited) SR'000</i>
Policyholders	95,568	99,217
Related parties (note 14)	9,363	408
	104,931	99,625
Provision for impairment of premiums receivables	(22,514)	(24,862)
Total of premiums receivable – net	82,417	74,763

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

	<i>30 June 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	(2,348)	2,337
Balance at end of the period / year	22,514	24,862

7. INVESTMENTS

	<i>30 June 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	19,979	22,721
- Mutual funds	18,478	18,704
	38,457	41,425
Available-for-sale investment (note 7.2)	1,923	1,923
Total of investments	40,380	43,348

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

7. INVESTMENTS (continued)

7.1. Investments held at FVIS

Movement in investments classified as FVIS is as follows:

	<i>30 June 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	--	(2,670)
Realised gain during the period / year	--	780
Unrealised (loss) / gain during the period / year	(2,968)	5,524
Balance at end of the period / year	<u>38,457</u>	<u>41,425</u>

The investments held at FVIS of Shareholders' operations comprise of portfolio amounting to SR 38.5 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 12).

8. 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

9. TECHNICAL RESERVES

9.1 Movement in unearned premiums

Movement in unearned premiums are as follows:

	<i>Six-month period ended 30 June 2020</i>		
	<i>(Unaudited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the period	126,260	(33,197)	93,063
Premiums written / (ceded) during the period	176,734	(57,560)	119,174
Premiums earned during the period	(162,018)	50,059	(111,959)
Balance at the end of the period	140,976	(40,698)	100,278
	<i>Year ended 31 December 2019</i>		
	<i>(Audited)</i>		
	<i>Gross</i>	<i>Reinsurance</i>	<i>Net</i>
	<i>SR'000</i>	<i>SR'000</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	126,260	(33,197)	93,063

9.2 Net outstanding claims and other technical reserves

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

	<i>30 June</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Outstanding claims	32,067	31,478
Claims incurred but not reported	27,474	37,060
Premium deficiency reserve	4,224	3,801
Other technical reserves	2,235	2,212
	66,000	74,551
Less:		
Reinsurers' share of outstanding claims	11,819	12,441
Reinsurers' share of claims incurred but not reported	9,481	13,952
	21,300	26,393
Net outstanding claims and reserves	44,700	48,158

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

10. GROSS WRITTEN PREMIUMS

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

	Corporate					Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	
Medical	9,958	1,044	(866)	10,136	--	10,136
Motor	1,169	981	8,651	10,801	7,676	18,477
Property, accident and others	1,312	2,589	12,901	16,802	1,453	18,255
	12,439	4,614	20,686	37,739	9,129	46,868

For the three-month period ended 30 June 2019 (Unaudited)

	Corporate					Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	
Medical	11,370	4,123	2,405	17,898	81	17,979
Motor	4,364	2,529	4,651	11,544	5,607	17,151
Property, accident and others	2,190	2,542	9,434	14,166	1,779	15,945
	17,924	9,194	16,490	43,608	7,467	51,075

For the six-month period ended 30 June 2020 (Unaudited)

	Corporate					Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	
Medical	15,450	5,625	26,242	47,317	--	47,317
Motor	4,808	3,421	55,995	64,224	19,948	84,172
Property, accident and others	3,522	3,892	36,094	43,508	1,737	45,245
	23,780	12,938	118,331	155,049	21,685	176,734

For the six-month period ended 30 June 2019 (Unaudited)

	Corporate					Total Gross written premiums SR '000
	Small SR '000	Medium SR '000	Large SR '000	Total SR '000	Individual SR '000	
Medical	13,847	4,639	15,575	34,061	84	34,145
Motor	14,043	5,445	10,955	30,443	24,138	54,581
Property, accident and others	6,065	6,290	32,859	45,214	2,500	47,714
	33,955	16,374	59,389	109,718	26,722	136,440

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

11. COMMITMENTS AND CONTINGENCIES

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

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

- b) Zakat and withholding tax contingencies have been disclosed in note 15.2.
- c) The Company is not subject to any significant legal proceedings in the ordinary course of business.

12. 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

b) Carrying amounts and fair value (continued)

30 June 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	19,979	19,979	--	--	19,979
- Mutual funds	18,478	--	18,478	--	18,478
Available for sale investment	1,923	--	--	1,923	1,923
	40,380	19,979	18,478	1,923	40,380
<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
	43,348	22,721	18,704	1,923	43,348

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 June 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 six-month period ended 30 June 2020 and the year ended 31 December 2019. Further, there were no changes in the valuation techniques during the period from previous periods.

13. 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 six major lines of business.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

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

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 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>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	--	15,423	15,398	2,595	2,754	4,528	40,698	--	40,698
Reinsurers' share of outstanding claims	195	2,554	901	1,599	2,386	4,184	11,819	--	11,819
Reinsurers' share of claims incurred but not reported	231	1,872	3,303	1,523	1,459	1,093	9,481	--	9,481
Reinsurers' excess of loss claims	--	294	--	--	--	--	294	--	294
Deferred policy acquisition costs	1,437	5,698	1,666	290	420	843	10,354	--	10,354
Unallocated assets	--	--	--	--	--	--	221,338	170,337	391,675
TOTAL ASSETS	1,863	25,841	21,268	6,007	7,019	10,648	293,984	170,337	464,321
LIABILITIES									
Unearned premiums	33,156	76,754	16,782	2,883	3,840	7,561	140,976	--	140,976
Unearned reinsurance commission	--	1,749	3,429	576	943	1,307	8,004	--	8,004
Outstanding claims	10,833	9,242	975	1,744	2,896	6,377	32,067	--	32,067
Claims incurred but not reported	7,422	11,071	3,754	1,673	1,994	1,560	27,474	--	27,474
Premium deficiency reserve	695	3,529	--	--	--	--	4,224	--	4,224
Other technical reserves	128	1,000	212	485	172	238	2,235	--	2,235
Unallocated liabilities	--	--	--	--	--	--	67,534	10,609	78,143
TOTAL LIABILITIES	52,234	103,345	25,152	7,361	9,845	17,043	282,514	10,609	293,123

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

13. 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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME

	<i>For the three-month period ended 30 June 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>
	<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	10,136	18,477	8,821	446	3,801	5,187	46,868
Less: Reinsurance premiums ceded							
- Local	--	--	(256)	(88)	(158)	(70)	(572)
- Foreign	--	(4,236)	(7,759)	(334)	(2,570)	(2,905)	(17,804)
Excess of loss expenses	(529)	(849)	(731)	(41)	(65)	(85)	(2,300)
Net written premiums	9,607	13,392	75	(17)	1,008	2,127	26,192
Changes in unearned premiums - net	11,146	19,128	(146)	86	6	124	30,344
Net premiums earned	20,753	32,520	(71)	69	1,014	2,251	56,536
Reinsurance commissions	--	911	1,774	268	1,740	519	5,212
Other underwriting income	3	4	2	1	5	4	19
TOTAL REVENUES	20,756	33,435	1,705	338	2,759	2,774	61,767
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	12,438	16,005	204	44	179	208	29,078
Expenses incurred related to claims	473	1,492	--	--	--	--	1,965
Less: Reinsurers' share of claims paid	(1,433)	(3,155)	(153)	(36)	(163)	(61)	(5,001)
Net claims and other benefits paid	11,478	14,342	51	8	16	147	26,042
Changes in outstanding claims – net	(1,762)	568	(48)	48	93	(163)	(1,264)
Changes in claims incurred but not reported – net	(2,870)	1,538	31	(28)	124	(47)	(1,252)
Net claims and other benefits incurred	6,846	16,448	34	28	233	(63)	23,526
Provision / (reversal) of premium deficiency reserve	695	3,529	(96)	--	--	--	4,128
Other technical reserves	203	(614)	(60)	(85)	(36)	(79)	(671)
Policy acquisition costs	1,026	2,830	805	122	617	299	5,699
TOTAL UNDERWRITING COSTS AND EXPENSES	8,770	22,193	683	65	814	157	32,682
NET UNDERWRITING INCOME	11,986	11,242	1,022	273	1,945	2,617	29,085

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-month period ended 30 June 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	11,986	11,242	1,022	273	1,945	2,617	29,085
OTHER OPERATING (EXPENSES) / INCOME							
Provision for impairment of premium receivables							(2,124)
Provision for impairment of reinsurance receivables							(167)
General and administration expenses							(16,341)
Commission income on deposits							429
Unrealized gain on investments							5,047
Other income							4,373
TOTAL OTHER OPERATING (EXPENSES) - NET							(8,783)
Income before Surplus and Zakat							20,302
Income attributed to the insurance operations (transfer to surplus payable)							(1,552)
Income attributed to the shareholders before Zakat							18,750
Zakat charge							(1,379)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS							17,371

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-month period ended 30 June 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	17,979	17,151	8,275	662	2,824	4,184	51,075
Less: Reinsurance premiums ceded							
- Local	--	--	(338)	(94)	(126)	(54)	(612)
- Foreign	162	(3,615)	(7,459)	(497)	(1,651)	(1,948)	(15,008)
Excess of loss expenses	(558)	(1,320)	(1,300)	--	(48)	--	(3,226)
Net written premiums	17,583	12,216	(822)	71	999	2,182	32,229
Changes in unearned premiums – net	(11,174)	13,117	97	(63)	699	820	3,496
Net premiums earned	6,409	25,333	(725)	8	1,698	3,002	35,725
Reinsurance commissions	--	562	1,660	374	1,466	554	4,616
Other underwriting income	3	6	2	1	6	4	22
TOTAL REVENUES	6,412	25,901	937	383	3,170	3,560	40,363
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	11,077	24,072	1,780	1,133	1,315	950	40,327
Expenses incurred related to claims	762	2,730	--	--	--	--	3,492
Less: Reinsurers' share of claims paid	(8,304)	(4,166)	(1,480)	(1,067)	(803)	(673)	(16,493)
Net claims and other benefits paid	3,535	22,636	300	66	512	277	27,326
Changes in outstanding claims – net	1,918	386	(781)	(69)	(975)	(889)	(410)
Changes in claims incurred but not reported – net	1,646	(2,317)	(30)	13	384	423	119
Net claims and other benefits incurred	7,099	20,705	(511)	10	(79)	(189)	27,035
Provision / (reversal) for premium deficiency reserve	(730)	(3,393)	302	(426)	--	(1,688)	(5,935)
Other technical reserves	70	(81)	(321)	(80)	(78)	(52)	(542)
Policy acquisition costs	186	1,114	513	164	243	388	2,608
TOTAL UNDERWRITING COSTS AND EXPENSES	6,625	18,345	(17)	(332)	86	(1,541)	23,166
NET UNDERWRITING (LOSS) / INCOME	(213)	7,556	954	715	3,084	5,101	17,197

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the three-month period ended 30 June 2019 (Unaudited)</i>						<i>Total</i> SR '000
	<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	
NET UNDERWRITING (LOSS) / INCOME	(213)	7,556	954	715	3,084	5,101	17,197
OTHER OPERATING (EXPENSES) / <u>INCOME</u>							
Provision for impairment of premium receivables							(1,492)
Provision for impairment of reinsurance receivables							(301)
General and administration expenses							(15,282)
Commission income on deposits							970
Realized gain on investments							780
Unrealized gain on investments							599
Other income							2,126
TOTAL OTHER OPERATING (EXPENSES) - NET							(12,600)
Income before Surplus and Zakat							4,597
Income attributed to the insurance operations (transfer to surplus payable)							(307)
Income attributed to the shareholders before Zakat							4,290
Zakat charge							(865)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS							3,425

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the six-month period ended 30 June 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>
	<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	47,317	84,172	21,995	2,416	9,247	11,587	176,734
Less: Reinsurance premiums ceded							
- Local	--	--	(854)	(162)	(391)	(151)	(1,558)
- Foreign	--	(18,007)	(19,549)	(2,022)	(6,700)	(5,124)	(51,402)
Excess of loss expenses	(1,058)	(1,698)	(1,462)	(82)	(130)	(170)	(4,600)
Net written premiums	46,259	64,467	130	150	2,026	6,142	119,174
Changes in unearned premiums – net	(4,451)	(2,243)	(240)	14	(192)	(102)	(7,214)
Net premiums earned	41,808	62,224	(110)	164	1,834	6,040	111,960
Reinsurance commissions	--	1,817	3,482	591	2,454	952	9,296
Other underwriting income	16	11	5	3	12	10	57
TOTAL REVENUES	41,824	64,052	3,377	758	4,300	7,002	121,313
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	25,501	49,105	3,081	304	1,416	2,031	81,438
Expenses incurred related to claims	1,859	3,277	--	--	--	--	5,136
Less: Reinsurers' share of claims paid	(3,048)	(9,642)	(2,778)	(275)	(1,174)	(1,502)	(18,419)
Net claims and other benefits paid	24,312	42,740	303	29	242	529	68,155
Changes in outstanding claims - net	(957)	1,972	(259)	54	185	124	1,119
Changes in claims incurred but not reported - net	(1,571)	(2,421)	(186)	(99)	(244)	(594)	(5,115)
Net claims and other benefits incurred	21,784	42,291	(142)	(16)	183	59	64,159
(Reversal of) / provision for premium deficiency reserve	(1,660)	2,529	--	(376)	(70)	--	423
Other technical reserves	220	(409)	103	12	43	56	25
Policy acquisition costs	1,896	5,512	1,595	264	1,028	615	10,910
TOTAL UNDERWRITING COSTS AND EXPENSES	22,240	49,923	1,556	(116)	1,184	730	75,517
NET UNDERWRITING INCOME	19,584	14,129	1,821	874	3,116	6,272	45,796

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the six-month period ended 30 June 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	19,584	14,129	1,821	874	3,116	6,272	45,796
OTHER OPERATING (EXPENSES) / INCOME							
Reversal of impairment of premium receivables							2,348
Provision for impairment of reinsurance receivables							(570)
General and administration expenses							(35,278)
Commission income on deposits							1,077
Unrealized loss on investments							(2,968)
Other income							6,165
TOTAL OTHER OPERATING EXPENSES - NET							(29,226)
Income before Surplus and Zakat							16,570
Income attributed to the insurance operations (transfer to surplus payable)							(2,076)
Income attributed to the shareholders before Zakat							14,494
Zakat charge							(1,880)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS							12,614

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the six-month period ended 30 June 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	34,145	54,581	22,108	3,075	8,895	13,636	136,440
Less: Reinsurance premiums ceded							
- Local	--	--	(1,142)	(175)	(435)	(181)	(1,933)
- Foreign	(16)	(11,443)	(19,154)	(2,600)	(5,535)	(5,251)	(43,999)
Excess of loss expenses	(1,116)	(2,640)	(2,590)	--	(96)	--	(6,442)
Net written premiums	33,013	40,498	(778)	300	2,829	8,204	84,066
Changes in unearned premiums - net	(21,812)	11,221	(560)	(83)	122	(735)	(11,847)
Net premiums earned	11,201	51,719	(1,338)	217	2,951	7,469	72,219
Reinsurance commissions	--	3,638	3,189	816	2,601	1,086	11,330
Other underwriting income	4	15	5	3	14	11	52
TOTAL REVENUES	11,205	55,372	1,856	1,036	5,566	8,566	83,601
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	23,420	49,507	14,459	1,120	2,309	1,396	92,211
Expenses incurred related to claims	1,553	3,629	--	--	--	--	5,182
Less: Reinsurers' share of claims paid	(18,052)	(8,257)	(12,935)	(1,062)	(1,375)	(983)	(42,664)
Net claims and other benefits paid	6,921	44,879	1,524	58	934	413	54,729
Changes in outstanding claims - net	2,770	1,591	(1,621)	(34)	(1,100)	(489)	1,117
Changes in claims incurred but not reported - net	2,381	(1,946)	48	37	452	624	1,596
Net claims and other benefits incurred	12,072	44,524	(49)	61	286	548	57,442
Provision / (reversal) for premium deficiency reserve	467	(3,714)	(406)	(376)	--	(490)	(4,519)
Other technical reserves	70	19	(557)	13	(74)	(6)	(535)
Policy acquisition costs	481	2,854	1,305	381	734	836	6,591
TOTAL UNDERWRITING COSTS AND EXPENSES	13,090	43,683	293	79	946	888	58,979
NET UNDERWRITING (LOSS) / INCOME	(1,885)	11,689	1,563	957	4,620	7,678	24,622

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

13. OPERATING SEGMENTS (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

	<i>For the six-month period ended 30 June 2019 (Unaudited)</i>						<i>Total</i> SR '000
	<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	
NET UNDERWRITING (LOSS) / INCOME	(1,885)	11,689	1,563	957	4,620	7,678	24,622
OTHER OPERATING (EXPENSES) / <u>INCOME</u>							
Provision for impairment of premium receivables							(468)
Provision for impairment of reinsurance receivables							(680)
General and administration expenses							(30,082)
Commission income on deposits							2,066
Realized gain on investments							780
Unrealized gain on investments							6,712
Other income							4,289
TOTAL OTHER OPERATING EXPENSES - NET							(17,383)
Income before Surplus and Zakat							7,239
Income attributed to the insurance operations (transfer to surplus payable)							(19)
Income attributed to the shareholders before Zakat							7,220
Zakat charge							(1,865)
NET INCOME ATTRIBUTED TO THE SHAREHOLDERS							5,355

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

14. 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 June 2020</u> <i>(Unaudited)</i> SR'000	<u>Three-month period ended 30 June 2019</u> <i>(Unaudited)</i> SR'000	<u>Six-month period ended 30 June 2020</u> <i>(Unaudited)</i> SR'000	<u>Six-month period ended 30 June 2019</u> <i>(Unaudited)</i> SR'000	<u>30 June 2020</u> <i>(Unaudited)</i> SR'000	<u>31 December 2019</u> <i>(Audited)</i> SR'000
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)	16	38	135	657	25	15
		Claims paid	--	2	(2)	(2)	(1)	--
Dabbagh Group	Related to shareholders	Premiums underwritten (note 6)	11,132	867	11,677	4,803	8,817	307
		Claims paid	(3,624)	(560)	(4,167)	(1,343)	(2,498)	(303)
Farouk, Maamoun Tamer & Company	Shareholder	Premiums underwritten (note 6)	1,242	1,081	11,919	7,478	490	86
		Claims paid	(36)	(634)	(1,052)	(955)	(899)	(1,201)
Raghaf Establishment	Related to shareholders	Premiums underwritten (note 6)	86	--	112	98	31	--
		Claims paid	(32)	(32)	(65)	(50)	--	--
Key Management Personnel		Short-term benefits	(768)	(738)	(1,536)	(1,456)	(630)	(556)
		Long-term benefits	(37)	(36)	(74)	(91)	(630)	(556)
Shareholders' operations								
Board of Directors		Board of Directors remuneration and related expenses	450	450	900	900	(2,700)	(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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

15. ZAKAT

15.1 Zakat provision

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

	<i>30 June 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	1,880	3,223
Reversal for prior periods / years	--	(5,747)
Paid during the period / year	--	(5,634)
Balance as at end of the period / year	<u>5,222</u>	<u>3,342</u>

15.2 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 return for years 31 December 2018 and 2019 and obtained the related Zakat certificate. The GAZT did not raise Zakat assessments for the years from 31 December 2016 till 2019.

Management is confident that no additional Zakat will be imposed for the period from 2016 till 2019 as per the finalization of the assessment for the previous years. Accordingly, the Company has reversed additional Zakat provision amounting to SR 5.7 million to the statement of income during the year 2019.

16. 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 June 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>

GULF GENERAL COOPERATIVE INSURANCE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

16. 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.

17. 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.

18. EARNINGS PER SHARE

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Net income for the period attributable to the shareholders of the Company (SR '000')	<u>12,614</u>	<u>5,355</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>0.63</u>	<u>0.27</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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. 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

As at 30 June 2020

	<i>30 June 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>
ASSETS						
Cash and cash equivalents	91,336	71,331	162,667	45,258	68,557	113,815
Murabaha deposits	--	--	--	30,000	--	30,000
Premiums receivable – net	82,417	--	82,417	74,763	--	74,763
Due from reinsurers – net	17,576	--	17,576	17,430	--	17,430
Reinsurers' share of unearned premiums	40,698	--	40,698	33,197	--	33,197
Reinsurers' share of outstanding claims	11,819	--	11,819	12,441	--	12,441
Reinsurers' share of claims incurred but not reported	9,481	--	9,481	13,952	--	13,952
Reinsurers' excess of loss claims	294	--	294	200	--	200
Deferred policy acquisition costs	10,354	--	10,354	9,322	--	9,322
Investments	--	40,380	40,380	--	43,348	43,348
Due from / (to) insurance operations	--	11,163	11,163	--	(4,311)	(4,311)
Prepayments and other assets	15,312	257	15,569	8,500	49	8,549
Property and equipment	5,310	--	5,310	5,459	--	5,459
Right-of-use assets	3,203	--	3,203	3,735	--	3,735
Intangible assets	6,184	--	6,184	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	--	2,109	2,109	--	1,866	1,866
TOTAL OPERATIONS ASSETS	293,984	181,500	475,484	260,121	165,769	425,890
Less: Inter-operations eliminations	--	(11,163)	(11,163)	--	4,311	4,311
TOTAL ASSETS	293,984	170,337	464,321	260,121	170,080	430,201

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
LIABILITIES						
Due to policyholders	10,509	--	10,509	10,750	--	10,750
Accrued expenses and other liabilities	11,962	3,278	15,240	12,285	2,272	14,557
Due to reinsurers	12,283	--	12,283	4,033	--	4,033
Due to brokers	13,762	--	13,762	13,080	--	13,080
Unearned premiums	140,976	--	140,976	126,260	--	126,260
Unearned reinsurance commission	8,004	--	8,004	6,008	--	6,008
Outstanding claims	32,067	--	32,067	31,478	--	31,478
Claims incurred but not reported	27,474	--	27,474	37,060	--	37,060
Premium deficiency reserve	4,224	--	4,224	3,801	--	3,801
Other technical reserves	2,235	--	2,235	2,212	--	2,212
Due to / (from) shareholders' operations	11,163	--	11,163	(4,311)	--	(4,311)
Employees' defined benefit obligations	5,301	--	5,301	4,852	--	4,852
Lease liabilities	2,634	--	2,634	3,280	--	3,280
Insurance operations' surplus payable	11,083	--	11,083	9,038	--	9,038
Accrued Zakat	--	5,222	5,222	--	3,342	3,342
Accrued income payable to SAMA	--	2,109	2,109	--	1,866	1,866
TOTAL OPERATIONS LIABILITIES	293,677	10,609	304,286	259,826	7,480	267,306
Less: Inter-operations eliminations	(11,163)	--	(11,163)	4,311	--	4,311
TOTAL LIABILITIES	282,514	10,609	293,123	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	--	(31,274)	(31,274)	--	(43,888)	(43,888)
Re-measurement reserve of defined benefit obligations	307	--	307	307	--	307
TOTAL EQUITY	307	170,891	171,198	307	158,277	158,584
TOTAL LIABILITIES AND EQUITY	282,821	181,500	464,321	264,444	165,757	430,201

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME

For the three-month period ended

	<i>30 June 2020 (Unaudited)</i>			<i>30 June 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>REVENUES</u>						
Gross written premiums	46,868	--	46,868	51,075	--	51,075
Less: Reinsurance premiums ceded						
- Local	(572)	--	(572)	(612)	--	(612)
- Foreign	(17,804)	--	(17,804)	(15,008)	--	(15,008)
Excess of loss expenses	(2,300)	--	(2,300)	(3,226)	--	(3,226)
Net written premiums	26,192		26,192	32,229		32,229
Changes in unearned premiums – net	30,344	--	30,344	3,496	--	3,496
Net premiums earned	56,536		56,536	35,725		35,725
Reinsurance commissions	5,212	--	5,212	4,616	--	4,616
Other underwriting income	19	--	19	22	--	22
TOTAL REVENUES	61,767		61,767	40,363		40,363
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	29,078	--	29,078	40,327	--	40,327
Expenses incurred related to claims	1,965	--	1,965	3,492	--	3,492
Less: Reinsurers' share of claims paid	(5,001)	--	(5,001)	(16,493)	--	(16,493)
Net claims and other benefits paid	26,042		26,042	27,326		27,326
Change in net outstanding claims – net	(1,264)	--	(1,264)	(410)	--	(410)
Changes in claims incurred but not reported – net	(1,252)	--	(1,252)	119	--	119
Net claims and other benefits incurred	23,526		23,526	27,035		27,035
Provision / (reversal) of premium deficiency reserve	4,128	--	4,128	(5,935)	--	(5,935)
Other technical reserves	(671)	--	(671)	(542)	--	(542)
Policy acquisition costs	5,699	--	5,699	2,608	--	2,608
TOTAL UNDERWRITING COSTS AND EXPENSES	32,682		32,682	23,166		23,166
NET UNDERWRITING INCOME	29,085		29,085	17,197		17,197

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

For the three-month period ended

	<i>30 June 2020 (Unaudited)</i>			<i>30 June 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>						
Provision for impairment of premium receivables	(2,124)	--	(2,124)	(1,492)	--	(1,492)
Provision for impairment of reinsurance receivables	(167)	--	(167)	(301)	--	(301)
General and administration expenses	(15,450)	(891)	(16,341)	(14,521)	(761)	(15,282)
Commission income on deposits	233	196	429	445	525	970
Realized gain on investments	--	--	--	--	780	780
Unrealized gain on investments	--	5,047	5,047	--	599	599
Other income	3,947	426	4,373	1,740	386	2,126
TOTAL OTHER OPERATING EXPENSES - NET	(13,561)	4,778	(8,783)	(14,129)	1,529	(12,600)
Income before Surplus and Zakat	15,524	4,778	20,302	3,068	1,529	4,597
Surplus transferred to Shareholders (note 1)	(13,972)	13,972	--	(2,761)	2,761	--
NET INCOME FOR THE PERIOD AFTER TRANSFER OF SURPLUS TO THE SHAREHOLDERS BEFORE ZAKAT	1,552	18,750	20,302	307	4,290	4,597
Zakat charge	--	(1,379)	(1,379)	--	(865)	(865)
NET INCOME FOR THE PERIOD	1,552	17,371	18,923	307	3,425	3,732
Basic and diluted earnings per share (SR per share)		0.87			0.17	

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three-month periods ended

	<i>30 June 2020 (Unaudited)</i>			<i>30 June 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	1,552	17,371	18,923	307	3,425	3,732
Other comprehensive income / (loss)	--	--	--	--	--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,552	17,371	18,923	307	3,425	3,732
Less: net income attributable to insurance operations			(1,552)			(307)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			17,371			3,425

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME

For the six-month period ended

	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>REVENUES</u>						
Gross written premiums	176,734	--	176,734	136,440	--	136,440
Less: Reinsurance premiums ceded						
- Local	(1,558)	--	(1,558)	(1,933)	--	(1,933)
- Foreign	(51,402)	--	(51,402)	(43,999)	--	(43,999)
Excess of loss expenses	(4,600)	--	(4,600)	(6,442)	--	(6,442)
Net written premiums	119,174	--	119,174	84,066	--	84,066
Changes in unearned premiums – net	(7,214)	--	(7,214)	(11,847)	--	(11,847)
Net premiums earned	111,960	--	111,960	72,219	--	72,219
Commission earned on ceded reinsurance	9,296	--	9,296	11,330	--	11,330
Other underwriting income	57	--	57	52	--	52
TOTAL REVENUES	121,313	--	121,313	83,601	--	83,601
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid	81,438	--	81,438	92,211	--	92,211
Expenses incurred related to claims	5,136	--	5,136	5,182	--	5,182
Less: Reinsurers' share of claims paid	(18,419)	--	(18,419)	(42,664)	--	(42,664)
Net claims and other benefits paid	68,155	--	68,155	54,729	--	54,729
Change in net outstanding claims - net	1,119	--	1,119	1,117	--	1,117
Changes in claims incurred but not reported - net	(5,115)	--	(5,115)	1,596	--	1,596
Net claims and other benefits incurred	64,159	--	64,159	57,442	--	57,442
Provision / (reversal) of premium deficiency reserve	423	--	423	(4,519)	--	(4,519)
Other technical reserves	25	--	25	(535)	--	(535)
Policy acquisition costs	10,910	--	10,910	6,591	--	6,591
TOTAL UNDERWRITING COSTS AND EXPENSES	75,517	--	75,517	58,979	--	58,979
NET UNDERWRITING INCOME	45,796	--	45,796	24,622	--	24,622

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF INCOME (continued)

For the six-month period ended

	<i>30 June 2020 (Unaudited)</i>			<i>30 June 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	2,348	--	2,348	(468)	--	(468)
Provision for impairment of reinsurance receivables	(570)	--	(570)	(680)	--	(680)
General and administration expenses	(33,116)	(2,162)	(35,278)	(28,135)	(1,947)	(30,082)
Commission income on deposits	561	516	1,077	953	1,113	2,066
Realized gain on investments	--	--	--	--	780	780
Unrealized (loss) / gain on investments	--	(2,968)	(2,968)	--	6,712	6,712
Other income	5,738	427	6,165	3,903	386	4,289
TOTAL OTHER OPERATING EXPENSES – NET	(25,039)	(4,187)	(29,226)	(24,427)	7,044	(17,383)
Income before Surplus and Zakat	20,757	(4,187)	16,570	195	7,044	7,239
Surplus transferred to Shareholders (note 1)	(18,681)	18,681	--	(176)	176	--
NET INCOME FOR THE PERIOD AFTER TRANSFER OF SURPLUS TO THE SHAREHOLDERS BEFORE ZAKAT	2,076	14,494	16,570	19	7,220	7,239
Zakat charge	--	(1,880)	(1,880)	--	(1,865)	(1,865)
NET INCOME FOR THE PERIOD	2,076	12,614	14,690	19	5,355	5,374
Basic and diluted earnings per share (SR per share)		0.63			0.27	

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended

	<i>30 June 2020 (Unaudited)</i>			<i>30 June 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	2,076	12,614	14,690	19	5,355	5,374
Other comprehensive income / (loss)	--	--	--	--	--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,076	12,614	14,690	19	5,355	5,374
Less: Net income attributable to insurance operations			(2,076)			(19)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS			12,614			5,355

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended

	30 June 2020 (Unaudited)			30 June 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	2,076	12,614	14,690	19	5,355	5,374
<u>Adjustments for non-cash items:</u>						
Zakat charge	--	1,880	1,880	--	1,865	1,865
Depreciation on property and equipment	1,045	--	1,045	751	--	751
Amortization on intangible assets	660	--	660	424	--	424
Amortization of right-of-use assets	533	--	533	--	--	--
(Reversal) / provision for impairment of premium receivables	(2,348)	--	(2,348)	468	--	468
Provision for impairment of reinsurance receivables	570	--	570	680	--	680
Realized gain on investments held at FVIS	--	--	--	--	(780)	(780)
Unrealized loss / (gain) on investments held at FVIS	--	2,968	2,968	--	(6,712)	(6,712)
	2,536	17,462	19,998	2,342	(272)	2,070
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable – net	(5,306)	--	(5,306)	(15,285)	--	(15,285)
Due from reinsurers – net	(716)	--	(716)	(3,308)	--	(3,308)
Reinsurers' share of unearned premiums	(7,501)	--	(7,501)	(9,150)	--	(9,150)
Reinsurer's share of outstanding claims	622	--	622	23,891	--	23,891
Reinsurer's share of claims incurred but not reported	4,471	--	4,471	(3,084)	--	(3,084)
Deferred excess of loss claims	(94)	--	(94)	283	--	283
Deferred policy acquisition costs	(1,032)	--	(1,032)	(1,359)	--	(1,359)
Prepayments and other assets	(6,812)	(208)	(7,020)	(3,816)	(4,329)	(8,145)
Due from shareholders' operations	15,474	(15,474)	--	(4,780)	4,780	--
Due to policyholders	(241)	--	(241)	502	--	502
Accrued expenses and other liabilities	(311)	994	683	(3,039)	(1,099)	(4,138)
Due to reinsurers	8,250	--	8,250	(2,453)	--	(2,453)
Due to brokers	682	--	682	1,807	--	1,807
Unearned premiums	14,716	--	14,716	21,000	--	21,000

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2020

19. SUPPLEMENTARY INFORMATION (continued)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended

	30 June 2020 (Unaudited)			30 June 2019 (Unaudited)		
	<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>
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
Unearned reinsurance commission	1,996	--	1,996	1,057	--	1,057
Outstanding claims	589	--	589	(23,059)	--	(23,059)
Claims incurred but not reported	(9,586)	--	(9,586)	4,678	--	4,678
Premium deficiency reserve	423	--	423	(4,519)	--	(4,519)
Other technical reserves	23	--	23	(534)	--	(534)
Employees defined benefit obligations	449	--	449	(106)	--	(106)
	18,632	2,774	21,406	(18,932)	(920)	(19,852)
Zakat paid	--	--	--	--	(3,847)	(3,847)
Surplus paid to policyholders	(32)	--	(32)	--	--	--
Net cash generated from / (used in) operating activities	18,600	2,774	21,374	(18,932)	(4,767)	(23,699)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to property and equipment	(896)	--	(896)	(1,019)	--	(1,019)
Additions to intangible assets	(980)	--	(980)	(716)	--	(716)
Disposal of investments held at FVIS	--	--	--	--	2,670	2,670
Proceeds from maturity of Murabaha deposits	30,000	--	30,000	--	82,000	82,000
Net cash generated from investing activities	28,124	--	28,124	(1,735)	84,670	82,935
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of lease liabilities	(646)	--	(646)	--	--	--
Net cash used in financing activities	(646)	--	(646)	--	--	--
Net increase in cash and cash equivalents	46,078	2,774	48,852	(20,667)	79,903	59,236
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	91,336	71,331	162,667	66,960	82,663	149,623

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
As at 30 June 2020

20. 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 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 June 2020 for its liability adequacy test. Based on the results, the Company has booked an amount of SR 0.7 million as a premium deficiency reserve.

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 June 2020 and subsequent periods.

The Company 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 and recorded a premium deficiency reserve amounting to SR 3.5 million as at 30 June 2020.

20. 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 six-month periods ended 30 June 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.

21. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on 26 Dhu Al Hijjah 1441H, corresponding to 16 August 2020.