

**WATANIYA INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIODS ENDED DECEMBER 31, 2016**

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Unaudited interim condensed financial statements
For the three-month and twelve-month periods ended December 31, 2016

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Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

MOORE STEPHENS
EL SAYED EL AYOUTY & CO.
Certified Public Accountants

P. O. Box 780
Jeddah 21421
Kingdom of Saudi Arabia
License No. 35-1408H

INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To the shareholders of Wataniya Insurance Company
(A Saudi Joint Stock Company)

Scope of limited review

We have reviewed the accompanying interim statement of financial position of Wataniya Insurance Company - a Saudi Joint Stock Company (the "Company") as at December 31, 2016 and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive income for the three-month and twelve-month periods then ended, and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders operations' cash flows for the twelve-month period then ended and the related notes from 1 to 15 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Limited Review Conclusion

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

Emphasis of Matter

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

Ernst & Young


Ahmed I. Reda
Certified Public Accountant
Licence Number 356

Moore Stephens
El Sayed El Ayouy & Co.


Mohamed El Ayouy
Certified Public Accountant
Licence Number 211





Jeddah, Saudi Arabia
19 Rabi' II 1438H
17 January 2017



WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of financial position
 (All amounts in Saudi Riyals thousands unless otherwise stated)

		December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
	Note		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	144,120	101,532
Premiums receivable	5	95,841	92,757
Reinsurers' share of unearned premiums		112,442	130,839
Reinsurers' share of outstanding claims		103,658	145,964
Due from reinsurers	6	15,026	20,483
Deferred policy acquisition costs		35,468	43,847
Due from shareholders' operations		3,682	37,666
Prepaid expenses and other assets		8,232	10,216
Total insurance operations' assets		518,469	583,304
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	51,537	192
Investments	7	112,597	81,939
Prepaid expenses and other assets		8,113	890
Property and equipment		2,111	1,848
Commission due on statutory deposit		259	-
Statutory deposit	8	20,000	10,000
Total shareholders' assets		194,617	94,869
TOTAL ASSETS		713,086	678,173

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.

  S. F. Abbas

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of financial position (continued)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		207,071	226,913
Outstanding claims		180,712	216,724
Unearned reinsurance commission		38,544	48,286
Reinsurance reserves		3,597	3,597
Due to reinsurers, agents, brokers and third party administrators		31,380	30,084
Due to policyholders		18,830	35,310
Accrued expenses and other liabilities		31,165	19,674
Total insurance operations' liabilities		511,299	580,588
Insurance operations' surplus			
Accumulated surplus from insurance operations		7,170	2,716
Total insurance operations' liabilities and surplus		518,469	583,304
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Zakat and income tax payable	9	4,444	1,602
Accrued expenses and other liabilities		881	23
Commission due on statutory deposit		259	-
Due to insurance operations		3,682	37,666
Total shareholders' liabilities		9,266	39,291
Shareholders' equity			
Share capital	10	200,000	100,000
Accumulated losses		(14,649)	(44,422)
Total shareholders' equity		185,351	55,578
Total shareholders' liabilities and equity		194,617	94,869
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		713,086	678,173

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.



 S. F. Abbas

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of insurance operations and accumulated surplus
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited)
REVENUE				
Gross written premiums	61,678	65,306	507,708	518,709
Reinsurance premiums ceded	(31,303)	(37,834)	(254,086)	(284,364)
Net written premiums	30,375	27,472	253,622	234,345
Changes in unearned premiums	31,835	30,371	1,445	(25,443)
Net earned premiums	62,210	57,843	255,067	208,902
Commission earned on ceded reinsurance	17,849	17,877	76,064	68,116
Other income	1,625	803	4,893	5,633
Total revenue	81,684	76,523	336,024	282,651
COST AND EXPENSES				
Gross claims paid	92,723	87,199	282,772	236,517
Reinsurers' share of claims paid	(50,279)	(39,496)	(130,194)	(90,601)
Net claims paid	42,444	47,703	152,578	145,916
Changes in outstanding claims	(17,068)	15,150	6,294	29,735
Net claims incurred	25,376	62,853	158,872	175,651
Policy acquisition costs	16,789	16,619	68,056	61,244
Reversal of premiums deficiency reserve	-	(205)	-	-
(Reversal)/ charge of reinsurance reserves	(2,258)	3,597	-	3,597
General and administration expenses	19,617	9,788	64,549	51,368
Total cost and expenses	59,524	92,652	291,477	291,860
Surplus/(deficit) from insurance operations	22,160	(16,129)	44,547	(9,209)
Shareholders' share of (surplus)/deficit from insurance operations	(19,945)	15,437	(40,093)	9,209
Insurance operations' surplus/(deficit) after shareholders' appropriation	2,215	(692)	4,454	-
Accumulated surplus at the beginning of the period/year	4,955	3,408	2,716	2,716
Accumulated surplus at the end of the period	7,170	2,716	7,170	2,716

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.

 
S. F. Alkhar

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of shareholders' operations
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited)
Note				
Shareholders' share of surplus/(deficit) from insurance operations	19,945	(15,437)	40,093	(9,209)
General and administration Expenses	(589)	(420)	(3,781)	(3,213)
Investment income	548	295	1,340	896
Gains on disposal of investments classified as FVIS	-	-	403	-
Other income	230	622	305	664
Dividend income	-	-	385	-
NET INCOME/(LOSS) FOR THE PERIOD	20,134	(14,940)	38,745	(10,862)
Weighted average number of ordinary shares outstanding (in thousands) – restated	20,000	16,300	17,857	16,300
Basic and diluted earnings/(loss) per share (in Saudi Riyals)	12 1.007	(0.917)	2.170	(0.666)

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.

 
S.F. Abbass

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of shareholders' comprehensive income
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited)
NET INCOME/(LOSS) FOR THE PERIOD	20,134	(14,940)	38,745	(10,862)
Items that will not be reclassified to statement of shareholders' operations				
Provision for zakat and income tax	(1,753)	449	(4,276)	(1,695)
Income tax reimbursable from foreign shareholders	946	(550)	1,921	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	19,327	(15,041)	36,390	(12,557)

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.



 S. F. Abbas

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of changes in shareholders' equity
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Share Capital	Accumulated losses	Total
January 1, 2016 (Audited)	100,000	(44,422)	55,578
Issuance of right shares (note10)	100,000	-	100,000
Net income for the period	-	38,745	38,745
Provision for zakat and income tax	-	(4,276)	(4,276)
Capital issuance cost (note 10)	-	(6,617)	(6,617)
Income tax reimbursable from foreign shareholders	-	1,921	1,921
Total comprehensive income for the period	-	29,773	29,773
December 31, 2016 (Unaudited)	200,000	(14,649)	185,351
January 1, 2015 (Audited)	100,000	(31,865)	68,135
Net loss for the period	-	(10,862)	(10,862)
Provision for zakat and income tax	-	(1,695)	(1,695)
Total comprehensive loss for the period	-	(12,557)	(12,557)
December 31, 2015 (Audited)	100,000	(44,422)	55,578

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.

  S. F. Abbas

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of insurance operations' cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited)
Cash flow from operating activities		
Insurance operation surplus for the period after shareholders' appropriation	4,454	-
Adjustments for:		
Shareholders' share of surplus/(deficit) from insurance operations	40,093	(9,209)
Allowance for doubtful receivables	74	3,412
Allowance for doubtful reinsurance receivables	111	3,969
Reinsurers' share of unearned premiums	18,397	(15,278)
Unearned premiums	(19,842)	40,721
Deferred policy acquisition costs	8,379	(7,296)
Unearned reinsurance commission	(9,742)	6,988
Reinsurance reserves	-	3,597
Changes in operating assets and liabilities:		
Premiums receivable	(3,158)	(35,052)
Reinsurers' share of outstanding claims	42,306	6,642
Due from reinsurers	5,346	(12,838)
Prepaid expenses and other assets	1,984	(3,089)
Outstanding claims	(36,012)	23,093
Due to reinsurers, agents, brokers and third party administrators	1,296	(4,039)
Due to policyholders	(16,480)	25,298
Accrued expenses and other liabilities	11,491	7,862
Due to shareholders' operations	(6,109)	(6,063)
Net cash generated from operating activities	42,588	28,718
NET CHANGE IN CASH AND CASH EQUIVALENTS	42,588	28,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	101,532	72,814
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	144,120	101,532

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.

 
S. F. Abbas

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Interim statement of shareholders operations' cash flows
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited)
Cash flow from operating activities		
Net income/(loss) for the period	38,745	(10,862)
Adjustments for:		
Shareholders' share of (surplus)/deficit from insurance operations	(40,093)	9,209
Depreciation	1,512	1,207
Investment income	(1,340)	(557)
Gains on disposal of investments classified as FVIS	(403)	-
Dividend income	(385)	-
	(1,964)	(1,003)
Changes in operating assets and liabilities:		
Due to insurance operations	6,109	6,063
Prepaid expenses and other assets	(5,302)	(518)
Commission due on statutory deposit	(259)	-
Accrued expenses and other liabilities	858	(17)
Commission due on statutory deposit	259	-
Net cash (utilized in)/generated from operating activities	(299)	4,525
Cash flow from investing activities		
Addition to statutory deposit	(10,000)	-
Purchase of property and equipment	(1,775)	(1,084)
Additions to investments	(51,000)	(2,000)
Disposal of investments classified as FVIS	22,085	-
Dividend income	385	-
Net cash utilized in investing activities	(40,305)	(3,084)
Cash flow from financing activities		
Issuance of right shares	100,000	-
Issuance cost	(6,617)	-
Zakat and income tax paid	(1,434)	(2,178)
Income tax recovered from shareholders	-	657
Net cash generated from/(utilized in) financing activities	91,949	(1,521)
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,345	(80)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	192	272
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	51,537	192
SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION		
Income tax receivable from foreign shareholder adjusted against prepaid expenses and other assets	1,921	-

The accompanying notes on pages 11 to 24 form an integral part of these interim condensed financial statements.

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WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements
At December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 Organization and principal activities

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

The Company is licensed to conduct insurance business in Saudi Arabia under Cooperative insurance principles in accordance with Royal Decree No M/53 dated Shawwal 21, 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16, 1430H (corresponding to October 5, 2009). The Company was listed on the Saudi Arabian stock market (Tadawul) on September 6, 2010.

The objectives of the Company are to provide general insurance and related services in accordance with its by-laws and applicable regulations in Saudi Arabia.

2 Basis of preparation

The interim condensed financial statements for the three-month and twelve-month periods ended December 31, 2016 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS-34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with the accounting principles generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

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

The accompanying interim condensed financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the three-month period and twelve-month periods ended December 31, 2016 may not represent an indication for the annual results of operations.

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly. The physical custody and title of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and Board of Directors.

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders payable	10%
	<u>100%</u>

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

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

In accordance with Article 70 of the Saudi Arabian Monetary Agency ("SAMA") Implementing Regulations, the Company proposes to distribute, subject to the approval of SAMA, its annual net policyholders' surplus directly to policyholders at a time, and according to criteria, as set by its Board of Directors.

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

3 Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2015.

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard	Description
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27	Amendments to IAS 27 Equity Method in Separate Financial Statements
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 1	Amendments to IAS 1 Disclosure initiative
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception
IFRS 5, IFRS 7, IAS 19 and IAS 34	Annual Improvements 2014 to IFRS 2012- 2014 cycle
IAS 16, IAS 41 and IAS 20	Amendments to IAS 16, IAS 20 and IAS 41 Agriculture: Bearer Plants

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

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 listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Summary of significant accounting policies (continued)

Risk Management

The Company's activities expose it to variety of financial risks: market risk (including commission rate risk, currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015. There have been no changes in the risk management department or in any risk management policies since the year end.

Seasonality of Operations

There are no seasonal changes that affect insurance operations.

4 Cash and cash equivalents

	December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
<i>Insurance operations</i>		
Cash in hand	27	30
Cash at bank	33,468	14,627
Time deposits	110,625	86,875
	144,120	101,532
<i>Shareholders' operations</i>		
Cash at bank	1,537	192
Time Deposit	50,000	-
	51,537	192

Cash at bank and time deposits are with a bank which is a related party and registered in Saudi Arabia, are denominated in Saudi Riyals and US Dollars. The deposits yield income at prevailing market rates.

5 Premiums receivable

	December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
<i>Insurance operations</i>		
Policy holders	106,322	103,164
Allowance for doubtful receivables	(10,481)	(10,407)
	95,841	92,757

Movement in allowance for doubtful receivables is as follows:

	Twelve-month period ended December 31, 2016 (Unaudited)	Year ended December 31, 2015 (Audited)
Opening balance	10,407	6,995
Addition	74	3,412
Closing balance	10,481	10,407

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At December 31, 2016
 (All amounts in Saudi Riyals thousands unless otherwise stated)

5 Premiums receivable (continued)

The ageing of unimpaired receivables is as follows:

	Total		Past due but not impaired		
		Less than 90 days	90 to 180 days	181 to 360 days	More than 360 days
December 31, 2016	95,841	53,681	26,313	15,640	207
December 31, 2015	92,757	49,849	31,570	10,942	396

6 Due from reinsurers

	December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
<i>Insurance operations</i>		
Reinsurers	20,056	25,402
Allowance for doubtful receivables	(5,030)	(4,919)
	15,026	20,483

Movement in allowance for doubtful receivables is as follows:

	Twelve-month period ended December 31, 2016 (Unaudited)	Year ended December 31, 2015 (Audited)
Opening balance	4,919	950
Additions	5,023	3,969
Balances written-off	(4,912)	-
Closing balance	5,030	4,919

7 Investments

	Note	December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
<i>Shareholders' operations</i>			
Fair value through income statement investments (FVIS)	7.1	110,674	80,016
Available-for-sale investments	7.2	1,923	1,923
		112,597	81,939

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Investments (continued)

7.1 Fair value through income statement investments

Investments classified as financial assets at fair value through income statement are managed by professional fund managers in accordance with the guidelines approved by the Board of Directors.

Movement in investment is as follows:

	Twelve-month period ended December 31, 2016 (Unaudited)	Year ended December 31, 2015 (Audited)
Opening balance	80,016	77,459
Additions	51,000	2,000
Gains on disposal of investments classified as FVIS	403	-
Carrying value of Investments disposed-off	(22,085)	-
Net change in fair value	1,340	557
Closing balance	110,674	80,016

7.2 Available-for-sale investments

This represents the Company's investment of 192,308 shares representing 3.85% holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are recorded at cost. In the absence of reliable financial information, management believe that fair values cannot be ascertained reliably.

8 Statutory deposit

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Agency ("SAMA"), the Company has deposited 10% of its share capital, amounting to Saudi Riyals 10 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank which is also a related party, and can be withdrawn only with the consent of SAMA. The Company cannot withdraw this deposit without SAMA's approval and commission accruing on this deposit is payable to SAMA.

In accordance with the instruction received from the Saudi Arabian Monetary Agency (SAMA) vide their circular dated March 1, 2016, the Company has disclosed the commission due on the statutory deposit as at December 31, 2016 as an asset and a liability in these interim condensed financial statements.

9 Zakat and income tax matters

9.1 Components of zakat base

Significant components of zakat base of the Company attributable to the Saudi shareholders, which are subject to adjustment under zakat and income tax regulations, are shareholders' equity at the beginning of the period, adjusted net income and certain other items. Zakat base has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations, and the assessments to be raised by the GAZT could be different from the declaration filed by the Company.

9.2 Provision for zakat and income tax

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi shareholders.

Provision for income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company, less allowances for foreign shareholders' share in the losses carry forwarded from previous year calculated in accordance with the guidelines provided in the income tax regulations.

9.3 Status of final assessments

The Company has filed its returns with Department of General authority of zakat and tax (GAZT) from inception up to 2015. During 2012, GAZT has raised the final assessment for the Company's first period from April 26, 2010 (date of Ministerial Resolution) to December 31, 2011 and claimed additional zakat of Saudi Riyals 272,620 and additional withholding taxes of Saudi Riyals 296,949.

Management had appealed against such additional assessments. The Preliminary Objection Committee ruled in favour of the GAZT. During 2014, the Company settled the entire additional claim of withholding taxes liability and paid additional zakat of Saudi Riyals 186,110 as per the objection committee resolution and appealed against the objection committee resolution. During 2016, the Higher Appeal Committee ruled in favour of the Company. During 2015, the GAZT issued the amended tax and zakat assessment for 2012 levying additional zakat of Saudi Riyals 8,651. The Company has filed its objection against the additional assessment and has obtained a favourable ruling from the Preliminary Zakat and Income Tax Objection Committee.

No assessments have yet been raised by the GAZT for 2013, 2014 and 2015.

10 Share Capital

The authorized issued and paid up share capital of the company is SR 200 million divided into 20 million shares of SR 10 each (31 December 2015: SR 100 million divided into 10 million shares of SR 10 each).

The Company held an Extraordinary General Assembly of its shareholders on 31 July 2016 to approve the increase in the share capital through rights issue. Based on the approval received from shareholders at the extraordinary general assembly, the company proceeded successfully in September 2016 to raise SAR 100 million through a right issue. Under the terms of the right issue, the company offered 10 million ordinary new shares by way of rights to qualifying shareholders at an offer price of SAR 10 per share at close of trading on 31 July 2016 (The "Eligibility Date"). The rights were made on the ratio of one right for every one share held by shareholders as of the Eligibility Date. Right issue transaction costs incurred amounting to SR 6.6 million is charged to the statement of changes in shareholder's equity.

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11 Related party matters

11.1 Related party transactions

Related parties represents major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The Company in the normal course of business carries out transactions with its related parties. The transactions are made on terms equivalent to an arm's length transaction and the transactions are approved by the board of directors.

The significant transactions with related parties and the related amounts are as follows:

Related Party	Nature of Transactions	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited)	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Unaudited)
Board Members	Fees and related expenses	78	64	1,507	1,424
Managing Director	Fees and related expenses	-	-	-	31
Key management personnel	- Remuneration and related expenses	2,258	1,876	8,421	7,863
	- Loans and advances	-	178	574	545
Shareholders' and related parties (common ownership)	- Insurance premiums written	15,252	10,871	87,820	79,035
	- Claims paid	16,917	8,964	36,798	25,520
	- Facultative premiums (net)	592	922	4,935	4,077
	- Expenses reimbursement	9	25	50	100
	- Expenses incurred	651	996	3,473	3,549
	- Claims and expenses paid on behalf of a shareholder	20	1,684	1,648	7,503
	- Amount received from a shareholder for claims and expenses paid on its behalf	20	744	1,898	6,777
	- Bank commission income	561	558	1,285	212
	- Purchase of property and equipment	-	121	-	121

11.2 Related party balances

Balances with related parties	December 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Premium receivable from related parties, net	9,694	5,886
Cash and cash equivalents with a shareholder	195,630	101,694
Amounts due from/(to) for facultative premiums ceded to a shareholder	1,027	(811)
Loans and advances due from key management personal	348	469
Amounts due from a shareholder	-	250
Maintenance fees paid in advance to a related party	16	79
Taxation receivable from foreign shareholders	1,921	-
Statutory deposit with a shareholder	20,000	10,000
Amount due to a related party for expenses	(191)	-
Advance paid to a related party	2,604	-

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12 Basic and diluted earnings/(loss) per share

Basic and diluted earnings per share for the year have been calculated by dividing the net income for the year by the weighted average number of outstanding shares at the year end.

The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the bonus element of the right issue as required by IAS 33, "Earnings per share" as follows:

	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited) Restated	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited) Restated
Issued ordinary shares as at 1st January	10,000	10,000	10,000	10,000
Adjusted right issue	10,000	-	7,857	-
Effect of rights issue of shares	-	6,300	-	6,300
Weighted average number of ordinary shares	20,000	16,300	17,857	16,300

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 1.63 which is a ratio of the theoretical ex-rights of SR 26.80 and closing price per share of 43.60 on 31 July 2016, the last day on which the shares were traded before the rights issue.

The basic and diluted earnings/(loss) per share is calculated as follows:

	Three-month period ended December 31, 2016 (Unaudited)	Three-month period ended December 31, 2015 (Unaudited) Restated	Twelve-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2015 (Audited) Restated
Net income/(loss) for the period	20,134	(14,940)	38,745	(10,862)
Weighted average number of ordinary shares	20,000	16,300	17,857	16,300
Basic and diluted earnings/(loss) per share	1.007	(0.917)	2.170	(0.666)

13 Segment information

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker which is chief executive officer.

Operating segment does not include shareholders' operation of the Company.

Segment results do not include other income and general and administration expenses.

Segment assets do not include insurance operations' cash and cash equivalents, premiums receivable, due from reinsurers, due from shareholders' operation and prepaid expenses and other assets.

Segment liabilities and surplus do not include due to reinsurers, agents, brokers and third party administrators, due to policyholders, accrued expenses and other liabilities and surplus from income operations.

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13 Segment information (continued)

	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term life	Total
For the three-month period ended December 31, 2016 (unaudited)								
Gross written premiums	7,038	3,889	29,699	5,073	1,457	3,563	10,959	61,678
Less: reinsurance premiums ceded	(6,103)	(4,462)	(5,181)	(5,267)	(794)	(3,563)	(5,933)	(31,303)
Net written premiums	935	(573)	24,518	(194)	663	-	5,026	30,375
Change in unearned premiums	96	801	32,335	(205)	1,159	-	(2,351)	31,835
Net earned premiums	1,031	228	56,853	(399)	1,822	-	2,675	62,210
Commission earned on ceded reinsurance	1,205	4,558	1,206	2,077	1,234	5,115	2,454	17,849
Total revenues	2,236	4,786	58,059	1,678	3,056	5,115	5,129	80,059
Gross claims paid	3,685	3,680	44,780	24,738	383	1,592	13,865	92,723
Reinsurer's share of claims paid	(2,829)	(3,160)	(5,514)	(24,342)	(180)	(1,592)	(12,662)	(50,279)
Net claims paid	856	520	39,266	396	203	-	1,203	42,444
Changes in outstanding claims	821	105	(17,652)	(54)	(702)	-	414	(17,068)
Net claims incurred	1,677	625	21,614	342	(499)	-	1,617	25,376
Policy acquisition costs	584	2,028	6,632	1,073	756	4,276	1,440	16,789
Reinsurance reserves	-	(1,336)	(579)	(343)	-	-	-	(2,258)
Total cost	2,261	1,317	27,667	1,072	257	4,276	3,057	39,907
Net underwriting results	(25)	3,469	30,392	606	2,799	839	2,072	40,152
General and administration expenses								(19,617)
Other income								1,625
Surplus from insurance operations								22,160
Shareholders' share of surplus from insurance operations								(19,945)
Insurance operations surplus after shareholders' appropriation								2,215
Accumulated surplus at the beginning of the period								4,955
Accumulated surplus at the end of the period								7,170

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13 Segment information (continued)

	Marine	Property	Motor	Engine- ring	Accident & Liability	Extended Warranty	Term Life	Total
For the twelve-month period ended December 31, 2016 (unaudited)								
Gross written premiums	35,188	84,608	258,108	43,570	27,809	18,929	39,496	507,708
Less: reinsurance premiums ceded	(29,187)	(82,037)	(31,032)	(42,213)	(20,502)	(18,929)	(30,186)	(254,086)
Net written premiums	6,001	2,571	227,076	1,357	7,307	-	9,310	253,622
Change in unearned premiums	(252)	630	4,509	(219)	522	-	(3,745)	1,445
Net earned premiums	5,749	3,201	231,585	1,138	7,829	-	5,565	255,067
Commission earned on ceded reinsurance	7,591	17,433	6,303	7,883	4,916	19,833	12,105	76,064
Total revenues	13,340	20,634	237,888	9,021	12,745	19,833	17,670	331,131
 Gross claims paid	 12,451	 40,943	 166,147	 29,385	 1,737	 6,482	 25,627	 282,772
Reinsurer's share of claims paid	(10,112)	(37,200)	(24,400)	(28,417)	(966)	(6,482)	(22,617)	(130,194)
Net claims paid	2,339	3,743	141,747	968	771	-	3,010	152,578
Changes in outstanding claims	941	(1,145)	6,551	(239)	(369)	-	555	6,294
Net claims incurred	3,280	2,598	148,298	729	402	-	3,565	158,872
Policy acquisition costs	3,726	8,505	26,802	4,261	3,158	16,592	5,012	68,056
Total cost	7,006	11,103	175,100	4,990	3,560	16,592	8,577	226,928
 Net underwriting results	 6,334	 9,531	 62,788	 4,031	 9,185	 3,241	 9,093	 104,203
 General and administrative expenses								(64,549)
Other income								4,893
Surplus from insurance operations								44,547
Shareholders' share of surplus from insurance operations								(40,093)
Insurance operations surplus after shareholders' appropriation								4,454
Accumulated surplus at the beginning of the period								2,716
Accumulated surplus at the end of the period								7,170

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13 Segment information (continued)

	Marine	Property	Motor	Engineer -ing	Accident & Liability	Extended Warranty	Term Life	Total
For the three-month period ended December 31, 2015 (Unaudited)								
Gross written premiums	7,916	6,237	32,682	6,680	2,814	3,672	5,305	65,306
Less: Reinsurance premiums ceded	(7,193)	(6,134)	(7,489)	(6,629)	(1,967)	(3,672)	(4,750)	(37,834)
Net written premiums	723	103	25,193	51	847	-	555	27,472
Change in unearned premiums	421	997	27,058	295	1,231	-	369	30,371
Net earned premiums	1,144	1,100	52,251	346	2,078	-	924	57,843
Commission earned on ceded reinsurance	1,999	3,769	2,011	2,040	926	4,719	2,413	17,877
Total revenues	3,143	4,869	54,262	2,386	3,004	4,719	3,337	75,720
Gross claims paid	3,528	20,256	53,824	983	5,580	-	3,028	87,199
Reinsurer's share of claims paid	(2,958)	(20,170)	(9,487)	(936)	(3,517)	-	(2,428)	(39,496)
Net claims paid	570	86	44,337	47	2,063	-	600	47,703
Changes in outstanding claims	324	957	12,927	682	(972)	-	1,232	15,150
Net claims incurred	894	1,043	57,264	729	1,091	-	1,832	62,853
Policy acquisition costs	1,042	2,183	6,532	1,154	795	3,937	976	16,619
Reversal of premiums deficiency reserve	-	-	(205)	-	-	-	-	(205)
Reinsurance reserve	-	2,451	1,146	-	-	-	-	3,597
Total cost	1,936	5,677	64,737	1,883	1,886	3,937	2,808	82,864
Net underwriting results	1,207	(808)	(10,475)	503	1,118	782	529	(7,144)
General and administration expenses								(9,788)
Other income								803
Deficit from insurance operations								(16,129)
Shareholders' share of deficit from insurance operations								15,437
Insurance operations deficit after shareholders' appropriation								(692)
Accumulated surplus at the beginning of the period								3,408
Accumulated surplus at the end of the period								2,716

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13 Segment information (continued)

	Marine	Property	Motor	Enginee- ring	Accident & Liability	Extended Warranty	Term Life	Total
For the twelve-month period ended December 31, 2015 (Audited)								
Gross written premiums	41,522	83,913	258,165	42,782	29,055	34,062	29,210	518,709
Less: Reinsurance premiums ceded	(35,479)	(78,637)	(48,914)	(40,598)	(20,768)	(34,062)	(25,906)	(284,364)
Net written premiums	6,043	5,276	209,251	2,184	8,287	-	3,304	234,345
Change in unearned premiums	50	(240)	(26,338)	1,207	(17)	-	(105)	(25,443)
Net earned premiums	6,093	5,036	182,913	3,391	8,270	-	3,199	208,902
Commission earned on ceded reinsurance	10,192	13,782	6,933	7,842	3,743	17,368	8,256	68,116
Total revenues	16,285	18,818	189,846	11,233	12,013	17,368	11,455	277,018
Gross claims paid	11,120	24,437	169,634	14,396	7,793	-	9,137	236,517
Reinsurer's share of claims paid	(9,484)	(24,074)	(30,513)	(13,555)	(5,130)	-	(7,845)	(90,601)
Net claims paid	1,636	363	139,121	841	2,663	-	1,292	145,916
Changes in outstanding claims	240	2,290	23,952	178	1,747	-	1,328	29,735
Net claims incurred	1,876	2,653	163,073	1,019	4,410	-	2,620	175,651
Policy acquisition costs	5,325	7,872	22,532	4,440	2,993	14,450	3,632	61,244
Reinsurance reserve	-	2,451	1,146	-	-	-	-	3,597
Total cost	7,201	12,976	186,751	5,459	7,403	14,450	6,252	240,492
Net underwriting results	9,084	5,842	3,095	5,774	4,610	2,918	5,203	36,526
General and administration expenses								(51,368)
Other income								5,633
Deficit from insurance operations								(9,209)
Shareholders' share of deficit from insurance operations								9,209
Insurance operations surplus after shareholders' appropriation								-
Accumulated surplus at the beginning of the period								2,716
Accumulated surplus at the end of the period								2,716

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13 Segment information (continued)

	Marine	Property	Motor	Engineer- ing	Accident & Liability	Extended Warranty	Term Life	Total
As at December 31, 2016 (Unaudited)								
<i>Insurance operations' assets</i>								
Reinsurers' share of unearned premiums	5,792	19,068	9,161	20,827	7,516	40,515	9,563	112,442
Reinsurers' share of outstanding claims	7,322	31,691	9,900	20,821	17,814	8	16,102	103,658
Deferred policy acquisition costs	969	2,095	8,129	1,313	1,086	19,854	2,022	35,468
Unallocated assets								266,901
Total insurance operations' assets								518,469
<i>Insurance operations' liabilities and surplus</i>								
Unearned premiums	7,112	21,234	91,182	23,235	9,381	40,515	14,412	207,071
Outstanding claims	9,337	33,777	76,456	22,264	20,626	8	18,244	180,712
Unearned reinsurance commission	1,967	4,681	1,602	2,493	1,597	23,729	2,475	38,544
Reinsurance reserves								3,597
Unallocated liabilities and surplus								88,545
Total insurance operations' liabilities and surplus								518,469
As at December 31, 2015 (Audited)								
<i>Insurance operations' assets</i>								
Reinsurers' share of unearned premiums	6,729	17,435	18,886	15,950	8,812	54,150	8,877	130,839
Reinsurers' share of outstanding claims	5,595	24,659	18,190	45,912	36,776	-	14,832	145,964
Deferred policy acquisition costs	826	2,145	9,628	1,559	1,128	27,154	1,407	43,847
Unallocated assets								262,654
Total insurance operations' assets								583,304
<i>Insurance operations' liabilities and surplus</i>								
Unearned premiums	7,796	20,231	105,417	18,140	11,198	54,150	9,981	226,913
Outstanding claims	6,664	27,890	78,195	47,594	39,959	-	16,422	216,724
Unearned reinsurance commission	1,719	3,510	3,305	2,509	1,460	32,338	3,445	48,286
Reinsurance reserves	-	2,451	1,146	-	-	-	-	3,597
Unallocated liabilities and surplus								87,784
Total insurance operations' liabilities and surplus								583,304

14 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, premiums receivable, reinsurance share of outstanding claims, investments, due from reinsurers' and shareholder operations, and statutory deposit and its financial liabilities consist of outstanding claims, due to reinsurers, agents, brokers and third party administrators and brokers, due to policyholders, due to shareholders' operations, and certain other liabilities.

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 identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial 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.

As at 31 December 2016 and 31 December 2015, all financial instruments, which are fair valued, are Level 1 instruments except for the available for sale investment which are carried at cost. There were no transfers between levels during the three-month and twelve-month periods ended 31 December 2016. Also, there were no changes in the valuation techniques during the period from the previous periods.

15 Approval of the interim condensed financial statements

These interim condensed financial statements have been approved by the Board of Directors on January 15, 2017.