

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

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2021**

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Unaudited Interim Condensed Financial Statements**  
**June 30, 2021**

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## **INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

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

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Wataniya Insurance Company (the "Company") as at June 30, 2021 and the related interim statements of income, comprehensive income for the three-month and six-month periods then ended, and interim statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes (collectively referred to as 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" (IAS 34), 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, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**Ernst & Young & Co.**  
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**Muharram 9, 1443**

**(corresponding to August 17, 2021)**

**Jeddah, Kingdom of Saudi Arabia**

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of financial position**  
**As at June 30, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	69,629	80,733
Short-term deposits	5	300,247	242,250
Premiums receivable – net	6	259,713	194,538
Due from reinsurers – net	7	3,362	44,039
Reinsurers' share of unearned premiums	8	193,568	129,371
Reinsurers' share of outstanding claims	8	604,836	559,837
Reinsurers' share of claims incurred but not reported	8	49,246	52,863
Deferred policy acquisition costs		44,079	32,299
Investments	9	174,282	166,952
Prepaid expenses and other assets	10	17,124	19,893
Property and equipment		15,980	12,371
Intangible assets		37,890	38,113
Statutory deposit	11	20,000	20,000
Accrued income on statutory deposit	11	1,549	1,469
<b>TOTAL ASSETS</b>		<b>1,791,505</b>	<b>1,594,728</b>
<b>LIABILITIES</b>			
Policyholders payable		39,828	22,681
Accrued expenses and other liabilities		74,157	68,699
Due to reinsurers, agents, brokers and third-party administrators	12	121,922	105,695
Unearned premiums	8	468,808	329,632
Unearned reinsurance commission		33,601	30,386
Outstanding claims	8	697,206	641,948
Claims incurred but not reported	8	96,103	101,491
Premium deficiency reserve	8	9,760	12,966
Additional unexpired risk reserve	8	1,195	203
Unallocated loss adjustment expense provision	8	4,412	4,654
Surplus distribution payable		2,468	2,468
Zakat and income tax payable	13	2,504	6,604
Accrued income on statutory deposit	11	1,549	1,469
<b>TOTAL LIABILITIES</b>		<b>1,553,513</b>	<b>1,328,896</b>
<b>EQUITY</b>			
Share capital	14	200,000	200,000
Statutory reserve	15	15,354	15,354
Retained earnings		22,638	50,478
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>237,992</b>	<b>265,832</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,791,505</b>	<b>1,594,728</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	16	<b>32,783</b>	<b>36,302</b>





S. F. Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of income**  
**For the three-month and six-month periods ended June 30, 2021**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	Three-month period ended June 30, 2021 (Unaudited)	Three-month period ended June 30, 2020 (Unaudited)	Six-month period ended June 30, 2021 (Unaudited)	Six-month period ended June 30, 2020 (Unaudited)
<b>REVENUES</b>					
Gross premiums written	17	226,757	179,694	535,180	482,462
Reinsurance premiums ceded	18	(80,957)	(46,510)	(210,169)	(196,725)
Excess of loss expenses	18	(8,198)	(6,420)	(12,429)	(10,224)
<b>Net premiums written</b>		<b>137,602</b>	<b>126,764</b>	<b>312,582</b>	<b>275,513</b>
Changes in unearned premium, net		(15,143)	(26,408)	(74,979)	(70,811)
<b>Net premiums earned</b>		<b>122,459</b>	<b>100,356</b>	<b>237,603</b>	<b>204,702</b>
Reinsurance commissions		12,064	13,704	24,273	30,987
Other underwriting income		125	30	252	81
<b>TOTAL REVENUES</b>		<b>134,648</b>	<b>114,090</b>	<b>262,128</b>	<b>235,770</b>
<b>COST AND EXPENSES</b>					
Gross claims paid and loss adjustment expenses, net of recoveries		108,968	56,183	220,753	143,321
Reinsurers' share of claims paid		(19,352)	(21,238)	(51,594)	(39,176)
<b>Net claims paid</b>		<b>89,616</b>	<b>34,945</b>	<b>169,159</b>	<b>104,145</b>
Changes in outstanding claims, net		443	5,457	10,259	10,441
Changes in claims incurred but not reported, net		328	1,894	(1,771)	1,927
<b>Net claims incurred</b>		<b>90,387</b>	<b>42,296</b>	<b>177,647</b>	<b>116,513</b>
Premium deficiency reserve		(2,249)	5,147	(3,206)	5,223
Additional unexpired risk reserve		584	20	992	(262)
Unallocated loss adjustment expense provision		(244)	161	(242)	293
Policy acquisition costs		17,110	15,565	32,022	32,205
Other underwriting expenses	19	4,386	201	15,618	1,896
<b>TOTAL UNDERWRITING COST AND EXPENSES</b>		<b>109,974</b>	<b>63,390</b>	<b>222,831</b>	<b>155,868</b>
<b>NET UNDERWRITING INCOME</b>		<b>24,674</b>	<b>50,700</b>	<b>39,297</b>	<b>79,902</b>



S. F. Abbas



The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of income (continued)**  
**For the three-month and six-month periods ended June 30, 2021**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Three-month period ended June 30, 2021 <b>(Unaudited)</b>	Three-month period ended June 30, 2020 <b>(Unaudited)</b>	Six-month period ended June 30, 2021 <b>(Unaudited)</b>	Six-month period ended June 30, 2020 <b>(Unaudited)</b>
<b>OTHER OPERATING INCOME/ (EXPENSES)</b>				
Allowance for impairment of doubtful premium, reinsurers and other receivables	(6,756)	(8,961)	(7,048)	(10,852)
General and administration expenses	(26,216)	(31,793)	(61,185)	(66,088)
Commission income on deposits	339	783	683	1,838
Unrealized gain / (loss) on investments	782	984	2,330	(529)
Commission income on investments	43	-	77	-
Other income	23	2,465	244	2,884
<b>TOTAL OTHER OPERATING EXPENSES, NET</b>	<b>(31,785)</b>	<b>(36,522)</b>	<b>(64,899)</b>	<b>(72,747)</b>
<b>(Loss) / Income for the period Income attributed to the policy holders</b>	<b>(7,111)</b>	14,178	<b>(25,602)</b>	7,155
<b>(Loss) / income for the period attributable to the shareholders, before zakat and income tax</b>	<b>-</b>	(1,476)	<b>-</b>	(1,153)
Zakat	13.2 (7,111)	12,702	(25,602)	6,002
Income tax	13.2 (1,170)	(2,156)	(1,970)	(3,356)
<b>Net (loss) / income for the period attributable to the shareholders</b>	<b>-</b>	(1,245)	<b>-</b>	(1,245)
<b>(Loss) / earning per share (expressed in SAR per share)</b>	<b>(8,281)</b>	9,301	<b>(27,572)</b>	1,401
	14 (0.41)	0.47	(1.38)	0.07

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S. F. Abbas

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**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of comprehensive income**  
**For the three-month and six-month periods ended June 30, 2021**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	<b>Three-month period ended June 30, 2021 (Unaudited)</b>	<b>Three-month period ended June 30, 2020 (Unaudited)</b>	<b>Six-month period ended June 30, 2021 (Unaudited)</b>	<b>Six-month period ended June 30, 2020 (Unaudited)</b>
<b>Net (loss) / income for the period attributable to the shareholders</b>	<b>(8,281)</b>	9,301	<b>(27,572)</b>	1,401
<b>Other comprehensive loss / (income) Items that will not be reclassified to statement of income in subsequent years</b>				
Remeasurement gain / (loss) on defined benefit obligation	<u>41</u>	<u>(354)</u>	<u>(268)</u>	<u>(350)</u>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b><u>(8,240)</u></b>	8,947	<b><u>(27,840)</u></b>	1,051



  
S.F Abbas

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**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of changes in equity**  
**For six-month period ended June 30, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<u>Six-month period ended June 30, 2021</u>			Total
	Share capital	Statutory reserve	Retained earnings	
<b>Balance at the beginning of the period (audited)</b>	<b>200,000</b>	<b>15,354</b>	<b>50,478</b>	<b>265,832</b>
Net loss for the period attributable to shareholders	-	-	(27,572)	(27,572)
Other comprehensive loss for the period - remeasurement loss on defined benefit obligation	-	-	(268)	(268)
<b>Total comprehensive loss for the period attributable to shareholders</b>	<b>-</b>	<b>-</b>	<b>(27,840)</b>	<b>(27,840)</b>
<b>Balance at the end of the period (unaudited)</b>	<b>200,000</b>	<b>15,354</b>	<b>22,638</b>	<b>237,992</b>

	<u>Six-month period ended June 30, 2020</u>			Total
	Share capital	Statutory reserve	Retained earnings	
<b>Balance at the beginning of the period (audited)</b>	<b>200,000</b>	<b>13,787</b>	<b>44,483</b>	<b>258,270</b>
Net income for the period attributable to shareholders	-	-	1,401	1,401
Other comprehensive loss for the period - remeasurement loss on defined benefit obligation	-	-	(350)	(350)
<b>Total comprehensive income for the period attributable to shareholders</b>	<b>-</b>	<b>-</b>	<b>1,051</b>	<b>1,051</b>
Adjustment against income tax reimbursable from foreign shareholders	-	-	(38)	(38)
<b>Balance at the end of the period (unaudited)</b>	<b>200,000</b>	<b>13,787</b>	<b>45,496</b>	<b>259,283</b>

*A. Chao*

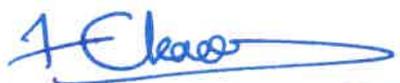
*S.F. Abbas*

S. F Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of cash flows**  
**For the six-month period ended June 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Six-month period ended June 30, 2021 (Unaudited)	Six-month period ended June 30, 2020 (Unaudited)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net (loss) / income for the period attributable to shareholders before zakat and income tax		(25,602)	6,002
Adjustments for non-cash items:			
Income attributable to insurance operations		-	1,153
Depreciation and amortisation of property and equipment and intangible assets		3,350	2,792
Impairment allowance for doubtful premiums, reinsurers and other receivables		7,048	10,852
Unrealized (gain)/loss on investments	9	(2,330)	529
Realized gain on investments		(77)	-
		(17,611)	21,328
<b><u>Changes in operating assets and liabilities:</u></b>			
Premiums' receivable		(71,393)	(61,663)
Reinsurers' share of unearned premiums		(64,197)	(46,482)
Reinsurers' share of outstanding claims		(44,999)	6,512
Reinsurers' share of claims Incurred but not reported		3,617	709
Deferred policy acquisition costs		(11,780)	(10,094)
Due from reinsurers		39,847	117,149
Prepaid expenses and other assets		2,769	(2,559)
Policyholders claims payables		17,147	(115,902)
Accrued expenses and other liabilities		5,190	9,945
Due to reinsurers, agents, brokers and third-party administrators		16,227	40,230
Unearned premiums		139,176	117,293
Unearned reinsurance commission		3,215	7,126
Outstanding claims		55,258	3,929
Claims incurred but not reported		(5,388)	1,218
Premium deficiency reserve		(3,206)	5,223
Additional unexpired risk reserve		992	(262)
Unallocated loss adjustment expense provision		(242)	293
		64,622	93,993
Surplus paid to policyholders		-	(2,512)
Zakat and income tax paid, net of recovery		(6,070)	(5,848)
<b>Net cash generated from operating activities</b>		<b>58,552</b>	<b>85,633</b>





S. F. Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim statement of cash flows (continued)**  
**For the six-month period ended June 30, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Six-month period ended June 30, 2021 (Unaudited)	Six-month period ended June 30, 2020 (Unaudited)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, equipment and intangible assets	(6,736)	(6,734)
Addition to investments	(5,000)	-
Additions to short-term deposits	(57,997)	-
Investment income received	77	-
<b>Net cash used in investing activities</b>	<b>(69,656)</b>	<b>(6,734)</b>
Net change in cash and cash equivalents	(11,104)	78,899
Cash and cash equivalents, beginning of the period	80,733	354,707
<b>Cash and cash equivalents, end of the period</b>	<b>69,629</b>	<b>433,606</b>
<b>SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION</b>		
Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets	359	359
Remeasurement loss on defined benefit obligation adjusted against accrued expenses and other liabilities	(268)	(350)

*S. F. Abbas*

S. F Abbas

The accompanying notes 1 to 27 form an integral part of these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the interim condensed financial statements**  
**June 30, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1 General**

Wataniya Insurance Company (the "Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 4030200981 dated 1 Jumada II 1431H (corresponding to May 15, 2010) and Ministry of Commerce & Investment'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 21 Shawwal 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 has obtained Saudi Central Bank ("SAMA") license number TMN/29/20106 valid up to Rajab 3, 1443H (corresponding to February 5, 2022). The Company was listed on the Saudi stock exchange (Tadawul) on June 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 the Kingdom of Saudi Arabia.

**2 Basis of preparation**

**(a) 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 Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value. The Company's interim statement of financial position is presented in order of liquidity. Except for property and equipment, intangible assets, investments, statutory deposit, end-of-service indemnities and warranty and engineering related unearned premiums, unearned reinsurance commission, deferred policy acquisition cost, outstanding claims, claims incurred but not reported and technical reserves, all other assets and liabilities are of short-term nature, unless, stated otherwise.

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts. The interim statements of financial position, statement of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in note 24 have been provided as supplementary information to comply with requirements of the guidelines issued by SAMA Implementing Regulations and is not required by International Financial Reporting Standards (IFRS).

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

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

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 statement as of and for the year ended December 31, 2020.

**2 Basis of preparation (continued)**

**(b) Critical accounting judgments estimates and assumptions**

The preparation of interim condensed 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 expense, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates. 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. For further details please see note 25 to these interim condensed financial statements. Management will continue to assess the situation and reflect any required changes in future reporting periods.

**(c) Seasonality of operations**

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

**3 Significant accounting policies**

The accounting policies 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 December 31, 2020 except as explained below:

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

A number of new standards and amendments became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

**Standards issued but not yet effective**

Standards and interpretation 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 are effective

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

**IFRS 9 – Financial Instruments**

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

### **3 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

##### **IFRS 9 – Financial Instruments (continued)**

###### **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 on disposal), dividends being recognized in statement of income.

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 statement of income.

###### **b) 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.

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

**3 Significant accounting policies (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 9 – Financial Instruments (continued)**

**Effective date**

The published effective date of IFRS 9 was January 1, 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 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:
  - a) the effective date of a new insurance contract standard; or
  - b) annual reporting periods beginning on or after January 1, 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 January 1, 2018: (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**

Overall, the Company expects some impact of applying the impairment requirements of IFRS 9 on the financial statements of the Company. However, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

### **3 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

##### **IFRS 17 – Insurance Contracts**

###### **Overview**

This standard has been published on May 18, 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:

- i. embedded derivatives, if they meet certain specified criteria;
- ii. distinct investment components; and
- iii. 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:

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

##### **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.

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 but the CSM cannot be negative, so 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

### **3 Significant accounting policies (continued)**

#### **Standards issued but not yet effective (continued)**

#### **IFRS 17 – Insurance Contracts (continued)**

##### **2) The Variable Fee Approach (VFA):**

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; and
- 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.

##### **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 January 1, 2023. 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 assessment**

The Company is currently assessing the impact of the application and implementation of IFRS 17. As of the date of the publication of these interim condensed financial statements, the financial impact of adopting the standard is yet to be fully assessed by the Company. The Company has undertaken a Gap Analysis and the key Gaps are as follows:

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**3 Significant accounting policies (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 17 – Insurance contracts (continued)**

<b>Impact area</b>	<b>Summary of impact</b>
Financial impact	A limited financial impact review was done, as required by the SAMA, for under writing during the year 2018. The financial impact of applying requirements of IFRS 17 compared to IFRS 4 was not significant. A more detailed review is planned for the last quarter of 2021.
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	Oracle Financial Analyzer tool (OFSAA) has been procured by the Company to implement IFRS 17. Oracle Corporation has been awarded the contract to implement the OFSAA tool. Technical discussions between the Source core systems and the impacted systems have started. The impact analysis is in progress including the data benchmarking to comply IFRS 17 reporting.
Process impact	The process impact is under evaluation, but no significant process changes are anticipated. However, should the Company shift its focus to majority long term business, the process impact would be significant.
Impact on reinsurance arrangements	The Company's reinsurance arrangements have been evaluated under the requirements of the IFRS 17 standard. The initial conclusion is that the reinsurance arrangements qualify for the PAA assessment. The initial conclusion is under constant review.
Impact on policies & control's frameworks	<p>The Company is in the process of updating Accounting and Finance Policies and Procedures to cover the new and additional requirements:</p> <ul style="list-style-type: none"> <li>• Unbundling</li> <li>• Level of aggregation</li> <li>• Measurement models</li> <li>• Risk Adjustment Methodologies</li> <li>• New presentation and disclosure requirement</li> </ul> <p>The revised manual will be followed by Finance function to ensure that financial statements are in conformity with IFRS 17 on the effective date.</p>
Human resources	<p>The Company has recruited several key personnel, including the Deputy CFO, Chief Technical Officer, who will play a key role in the IFRS 17 implementation. It has also developed a training plan and 3 training sessions have already been completed as following:</p> <ol style="list-style-type: none"> <li>1- IFRS 17 overview to all stakeholders</li> <li>2- PAA Measurement Model</li> <li>3- GMM Measurement Model</li> </ol> <p>Remaining sessions are planned to be completed during 2021.</p>

The Company has started with their implementation process and have set up a proper team, supervised by a steering committee.

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**4 Cash and cash equivalents**

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Cash in hand	22	26
Bank balances	56,607	67,707
Deposits maturing within 3 months from the acquisition date	13,000	13,000
	<b>69,629</b>	<b>80,733</b>

Except for balances amounting to SAR 1.24 million (December 31, 2020: SAR 0.33 million), the bank balances and deposits are with a bank which is a related party (see note 22), registered in Saudi Arabia and are denominated in Saudi Riyals and US Dollars. The deposits have an original maturity of less than three months and yield income at rates of 0.4% to 0.6% per annum (December 31, 2020: 0.65% per annum).

**5 Short-term deposits**

Short-term deposits with original maturity exceeding 3 months are held with the following:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Commercial bank - related party (Note 22)	190,000	192,250
Other commercial banks	110,247	50,000
	<b>300,247</b>	<b>242,250</b>

These short-term deposits are placed with commercial banks, registered in Saudi Arabia and yield income at rates of 0.15% to 0.7% per annum (December 31, 2020: 0.2% to 0.9% per annum).

**6 Premiums receivable - net**

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Receivable from policy holders	304,368	235,313
Impairment allowance for doubtful premium receivables	(44,655)	(40,775)
	<b>259,713</b>	<b>194,538</b>

Movement in the impairment allowance for doubtful premium receivables is as follows:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Opening	40,775	33,838
Provision for the period / year	6,218	10,625
Write-offs	(2,338)	(3,688)
Closing	<b>44,655</b>	<b>40,775</b>

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**7 Due from reinsurers – net**

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Receivable from reinsurers	4,292	45,039
Impairment allowance for doubtful reinsurers receivables	(930)	(1,000)
	<b>3,362</b>	<b>44,039</b>

During the period ended June 30, 2021, the Company has presented net receivable from reinsurers after adjusting with various payables to reinsurers as the settlement of these balances will be on a net basis. The following table presents the recognized amounts subject to enforceable netting arrangements and gross amounts, that are not subject to offsetting arrangements, as at June 30, 2021:

<b>June 30, 2021 (Unaudited)</b>	<b>Gross amounts</b>	<b>Amounts set off in the statement of financial position</b>	<b>Net amount presented in the statement of financial position</b>
Due from reinsurers – net	32,429	(29,067)	3,362
Due to reinsurers (see note 12)	114,724	(29,067)	85,657

Movement in impairment allowance for doubtful reinsurers receivables is as follows:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Opening	1,000	1,500
Provision for the period / year	830	-
Write-offs	(900)	(500)
Closing balance	<b>930</b>	<b>1,000</b>

**8 Technical reserves**

**8.1 Net outstanding claims and reserves**

Net outstanding claims and reserves comprise of the following:

	<b>June 30, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Outstanding claims	697,206	641,948
Claims incurred but not reported	96,103	101,491
Premium deficiency reserve	9,760	12,966
Additional unexpired risk reserve	1,195	203
Unallocated loss adjustment expense provision	4,412	4,654
	<b>808,676</b>	<b>761,262</b>
Less:		
Reinsurers' share of outstanding claims	<b>(604,836)</b>	(559,837)
Reinsurers' share of claims incurred but not reported	<b>(49,246)</b>	(52,863)
	<b>(654,082)</b>	<b>(612,700)</b>
Net outstanding claims and reserves	<b>154,594</b>	<b>148,562</b>

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**8 Technical reserves (continued)**

**8.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

	<b>Six-month period ended June 30, 2021</b>		
	<b>(Unaudited)</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance at the beginning of the period	329,632	(129,371)	200,261
Premium written during the period	535,180	(222,598)	312,582
Premium earned during the period	(396,004)	158,401	(237,603)
Balance at the end of the period	<b>468,808</b>	<b>(193,568)</b>	<b>275,240</b>
	Year ended December 31, 2020		
	(Audited)		
	Gross	Reinsurance	Net
Balance at the beginning of the year	259,887	(104,944)	154,943
Premium written during the year	785,881	(322,901)	462,980
Premium earned during the year	(716,136)	298,474	(417,662)
Balance at the end of the year	<b>329,632</b>	<b>(129,371)</b>	<b>200,261</b>

**9 Investments**

	<b>Note</b>	<b>June 30, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Fair value through income statement investments (FVIS)	9.1	<b>164,359</b>	162,029
Held-to-maturity investment	9.2	<b>8,000</b>	3,000
Available-for-sale investment	9.3	<b>1,923</b>	1,923
		<b>174,282</b>	<b>166,952</b>

**9.1 Fair value through statement of income investments (FVSI)**

Movement in FVSI is as follows:

	<b>Six-month period ended June 30, 2021 (Unaudited)</b>	<b>Year ended December 31, 2020 (Audited)</b>
Opening balance	<b>162,029</b>	110,645
Additions during the period / year	-	50,000
Changes in fair value of investments	<b>2,330</b>	1,384
Closing balance	<b>164,359</b>	<b>162,029</b>

FVSI includes investments managed by a Fund manager under the discretionary portfolio of investments where all such investments are carried at fair value as provided by the Fund manager. Fund manager keeps such investments in various fixed income securities, mutual funds, equity investments, Sukuks and Murabaha placements.

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**9 Investments (continued)**

**9.2 Held to maturity investments**

	Note	Six-month period ended June 30, 2021 (Unaudited)	Year ended December 31, 2020 (Audited)
Saudi Fransi Bank Sukuks	a	3,000	3,000
Saudi Real Estate Refinance Company Sukuks	b	5,000	-
		<u>8,000</u>	<u>3,000</u>

- a) This represents the Company's investment in Saudi Fransi Tier 1 Sukuks. These represent 3 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 4.50% per annum. These Sukuks have a maturity duration of 5 years commencing from November 3, 2020. The Company has earned commission income of SAR 0.07 million during the period (December 31, 2020: Nil)
- b) This represents the Company's investment in Saudi Real Estate Refinance Company Sukuks. These represent 5 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 2.11% per annum. These Sukuks have a maturity duration of 7 years commencing from March 3, 2021.

**9.3 Available-for-sale investment**

This represents the Company's 3.85% (December 31, 2020: 3.85%) holding in Najm for Insurance Services Company, a Saudi Closed Joint Stock Company. These shares are un-quoted and are carried at cost. In the absence of reliable financial information, management believe that fair value cannot be ascertained reliably.

**10 Prepaid expense and other assets**

Prepaid expense and other assets are stated net of impairment allowance for salvage and subrogation of SAR 0.25 million (December 31, 2020: SAR 0.25 million).

**11 Statutory deposit**

In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10% of its share capital, amounting to Saudi Riyals 20 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank which is also a related party. The Company cannot withdraw this deposit without SAMA's approval. Commission accruing on this deposit is payable to SAMA.

In accordance with instructions received from SAMA vide their circular dated March 1, 2016; the Company has disclosed the commission due on the statutory deposit as an asset and a liability in these interim condensed financial statements.

**12 Due to reinsurers, agents, brokers and third-party administrators**

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Reinsurance	85,657	78,676
Agents and brokers	34,976	26,477
Third party administrator	1,289	542
	<u>121,922</u>	<u>105,695</u>

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**13 Zakat and income tax**

**13.1 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 Zakat, Tax and Customs Authority ("ZATCA") could be different from the declaration filed by the Company.

**13.2 Provision for zakat and income tax**

	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
January 1, 2021	5,113	1,491	6,604
Provision for the current period	1,970	-	1,970
Payments during the period	<b>(5,016)</b>	<b>(1,054)</b>	<b>(6,070)</b>
June 30, 2021	<b>2,067</b>	<b>437</b>	<b>2,504</b>

	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
January 1, 2020	4,669	1,184	5,853
Provision for the current year	4,999	1,453	6,452
Other adjustments	769	165	934
Payments during the year	<b>(5,324)</b>	<b>(1,311)</b>	<b>(6,635)</b>
December 31, 2020	<b>5,113</b>	<b>1,491</b>	<b>6,604</b>

Zakat is payable at 2.578% of the approximate zakat base (excluding adjusted net income for the period) and 2.5% of adjusted net income for the period / year 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. No provision for income tax has been charged in these interim condensed financial statements as the Company has incurred a taxable loss during the six-month period ended June 30, 2021 (June 30, 2020: SAR 1.25 million).

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**13 Zakat and income tax (continued)**

**13.2 Provision for zakat and income tax (continued)**

The shareholding percentage subject to zakat and income tax is as follows:

	<b>June 30, 2021 (Unaudited) %</b>	December 31, 2020 (Audited) %
Zakat share in capital	<b>76.24</b>	75.33
Zakat share in profit	<b>76.24</b>	75.34
Income tax share in capital	<b>23.76</b>	24.67
Income tax share in profit	<b>23.76</b>	24.66

**13.3 Status of assessments**

The Company has filed its tax returns with ZATCA from inception up to 2020. The Company's tax and Zakat position has been finalised up to and including the year ended December 31, 2018, except for the assessment for withholding tax as explained below.

During 2019, the Company had received an assessment for the 2018 withholding tax liability in which the ZATCA had imposed additional taxes, including penalties, of SAR 11.37 million. Management believes that the assessment raised is without merit and had appealed against this assessment. The Company's initial appeal was rejected by the ZATCA and was escalated to the General Secretariat of Tax Committee (GSTC) online portal in order to assign the hearing session by the Committee for Resolution of Tax Violations and Disputes ("CRTVD"). On August 05, 2021 the CRTVD issued its summary decision in which they agreed with the ZATCA's revised assessments. The Company is awaiting the official written decision from CRTVD in order to understand the rationale behind the decision. The Company plans to escalate its objection to the Advanced Committee for Tax Violations and Dispute Resolution (ACTVDR) within 30 days from receiving the official written decision. Management of the Company continues to believe that there is a high probability that the majority of this assessment would be waived and hence no additional liability has been recorded against this assessment.

**14 Share capital and earnings per share**

The authorized, issued and paid up capital of the Company is SAR 200 million divided into 20 million shares of SR 10 each (December 31, 2020: SAR 200 million divided into 20 million shares of SR 10 each).

Earnings/(loss) per share for the three-month and six-month periods ended June 30, 2021 and 2020 have been calculated by dividing the net (loss)/income for the respective period attributable to the shareholders by the weighted average number of ordinary shares at the reporting date. Diluted (loss)/earnings per share is not applicable to the Company.

**15 Statutory reserve**

In compliance with the Insurance Implementing Regulations issued by SAMA, 20% of the income for the year after adjusting accumulated losses shall be set aside from net income as a statutory reserve until this amounts to 100% of the paid-up share capital. The required amount would be transferred at the year end.

**16 Commitments and contingencies**

**16.1** The Company's bankers have issued payment guarantee of SAR 2.41 million (December 31, 2020: SR 2.2 million) to its suppliers on behalf of the Company.

**16.2** See note 13.3 for zakat and tax related contingencies.

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**16 Commitments and contingencies (continued)**

**16.3** The Company is a defendant in a case that was filed by a client amounting to SAR 19 million (2020: SAR 19 million). The preliminary decision of the Primary Committee for Resolution of Insurance Disputes and Violations ruled in favor of the Company and dismissed the case brought by the claimant. The Appeal Committee for Settlement of Insurance Disputes and Violations has issued a verdict which cancels the preliminary decision and decided to return the case to the Primary Committee for Resolution of Insurance Disputes and Violations for consideration and review. The Primary Committees for Resolution of Insurance Disputes and Violation rejected the lawsuit filed by the Plaintiff against the Company. However, the Plaintiff has filed an appeal against such decision. Management believes that the case is without merit and has therefore not taken any provisions there against.

**16.4** The Company has not discounted any letter of credits issued in its favor by any of its customers as at June 30, 2021 (December 31, 2020: SAR 3.7 million).

**17 Gross premiums written**

Class	Six-month period ended June 30, 2021					Total gross premiums written
	Corporate					
	Very Small	Small	Medium	Large	Individual	
Motor	4,020	18,477	40,740	161,714	40,301	<b>265,252</b>
Property and accident	5,476	20,537	69,020	135,838	3,512	<b>234,383</b>
Protection and saving (term life)	163	930	6,829	27,623	-	<b>35,545</b>
<b>Total</b>	<b>9,659</b>	<b>39,944</b>	<b>116,589</b>	<b>325,175</b>	<b>43,813</b>	<b>535,180</b>

Class	Six-month period ended June 30, 2020					Total Gross premiums written
	Corporate					
	Very Small	Small	Medium	Large	Individual	
Motor	3,846	30,077	32,949	152,411	36,057	255,340
Property and accident	2,592	26,124	73,712	75,938	4,590	182,956
Protection and saving (term life)	86	1,390	5,645	37,045	-	44,166
<b>Total</b>	<b>6,524</b>	<b>57,591</b>	<b>112,306</b>	<b>265,394</b>	<b>40,647</b>	<b>482,462</b>

**18 Reinsurance premiums ceded**

	Three-month period ended June 30, 2021 (Unaudited)	Three-month period ended June 30, 2020 (Unaudited)	Six-month period ended June 30, 2021 (Unaudited)	Six-month period ended June 30, 2020 (Unaudited)
Locally	<b>4,544</b>	1,453	<b>13,126</b>	8,484
Internationally including local brokers	<b>76,413</b>	45,057	<b>197,043</b>	188,241
	<b>80,957</b>	46,510	<b>210,169</b>	196,725

All excess of loss premiums are placed internationally through local brokers.

**19 Other underwriting expenses**

This includes VAT on reinsurance commission income of SAR 3.64 million (June 30, 2020: SAR 1.89 million) and Najm fee for motor insurance services of SAR 11.98 million (June 30, 2020: Nil). Effective July 2020, Najm for Insurance Services Company started to charge fee on motor premium written basis which was previously charged on each motor claim.

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## **20 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 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 interim condensed financial statements.

### **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. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the year end. There are no transfers between Level 1, Level 2 and Level 3 during the year.

As at June 30, 2021 and December 31, 2020, all financial instruments which are fair valued are Level 3 instruments except for investment in sukuks and equity amounting to SAR 27.29 million (December 31, 2020: SAR 28.42 million) and SAR 8.70 million (December 31, 2020: SAR 16.25 million) respectively, which are Level 1 investments. The Company ascertains the Level 3 fair values based on a valuation technique which is primarily derived by net assets value of the respective investee at the period end. There are no transfers between Level 1, Level 2 and Level 3 during the period. Significant unobservable inputs used in the valuation of level 3 investments include the Fund administrator report based on NAV and assumptions about rates for other investments as confirmed by the discretionary portfolio manager. Available-for-sale investment amounting to SAR 1.9 million (December 31, 2020: SAR 1.9 million) is carried at cost as its fair value cannot be measured reliably.

## **21 Operating segments**

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

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 income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2020.

Segment assets do not include cash and cash equivalents, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policy holders claims payable, accrued and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax, and accrued income on statutory deposit. 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 June 30, 2021 and December 31, 2020, its total revenues, expenses, and net income for the three-month and six-month periods ended June 30, 2021 and June 30, 2020, are as follows:

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
<b>Three-month period ended June 30, 2021(unaudited)</b>								
<b>Revenues</b>								
Gross premiums written	9,389	39,204	121,411	12,116	19,715	6,924	17,998	<b>226,757</b>
Reinsurance premiums ceded	(6,584)	(32,042)	13	(10,190)	(17,587)	(3,967)	(10,600)	<b>(80,957)</b>
Excess of loss expenses	(1,211)	(3,402)	(2,641)	(944)	-	-	-	<b>(8,198)</b>
<b>Net premiums written</b>	<b>1,594</b>	<b>3,760</b>	<b>118,783</b>	<b>982</b>	<b>2,128</b>	<b>2,957</b>	<b>7,398</b>	<b>137,602</b>
Change in unearned premiums, net	1,724	(1,826)	(10,307)	542	(132)	(2,712)	(2,432)	<b>(15,143)</b>
<b>Net premiums earned</b>	<b>3,318</b>	<b>1,934</b>	<b>108,476</b>	<b>1,524</b>	<b>1,996</b>	<b>245</b>	<b>4,966</b>	<b>122,459</b>
Reinsurance commissions	2,044	5,145	52	2,064	1,860	902	(3)	<b>12,064</b>
Other underwriting income	21	5	76	2	17	-	4	<b>125</b>
<b>Total revenues</b>	<b>5,383</b>	<b>7,084</b>	<b>108,604</b>	<b>3,590</b>	<b>3,873</b>	<b>1,147</b>	<b>4,967</b>	<b>134,648</b>
<b>Cost and expenses</b>								
Gross claims paid and loss adjustment expenses, net of recoveries	1,443	5,539	87,129	3,139	638	1,796	9,284	<b>108,968</b>
Reinsurer's share of claims paid	(1,152)	(4,444)	(814)	(3,020)	(463)	(1,796)	(7,663)	<b>(19,352)</b>
<b>Net claims paid</b>	<b>291</b>	<b>1,095</b>	<b>86,315</b>	<b>119</b>	<b>175</b>	<b>-</b>	<b>1,621</b>	<b>89,616</b>
Changes in outstanding claims, net	(330)	1,699	(1,763)	304	369	-	164	<b>443</b>
Changes in claims incurred but not reported, net	(54)	224	775	(606)	(105)	-	94	<b>328</b>
<b>Net claims incurred</b>	<b>(93)</b>	<b>3,018</b>	<b>85,327</b>	<b>(183)</b>	<b>439</b>	<b>-</b>	<b>1,879</b>	<b>90,387</b>
Premium deficiency reserve	-	-	(2,249)	-	-	-	-	<b>(2,249)</b>
Additional unexpired risk reserve	-	-	-	328	256	-	-	<b>584</b>
Unallocated loss adjustment expense provision	(37)	(6)	(37)	(182)	24	-	(6)	<b>(244)</b>
Policy acquisition costs	1,359	3,234	7,092	1,909	1,343	793	1,380	<b>17,110</b>
Other underwriting expenses	317	212	3,340	245	170	87	15	<b>4,386</b>
<b>Total underwriting cost and expenses</b>	<b>1,546</b>	<b>6,458</b>	<b>93,473</b>	<b>2,117</b>	<b>2,232</b>	<b>880</b>	<b>3,268</b>	<b>109,974</b>
<b>Net underwriting income</b>	<b>3,837</b>	<b>626</b>	<b>15,131</b>	<b>1,473</b>	<b>1,641</b>	<b>267</b>	<b>1,699</b>	<b>24,674</b>
<b>Other operating income/(expenses)</b>								
Impairment allowance for doubtful premium, reinsurers and other receivables								<b>(6,756)</b>
General and administration expenses								<b>(26,216)</b>
Commission income on deposits								<b>339</b>
Unrealized gain on investments								<b>782</b>
Commission income on investments								<b>43</b>
Other income								<b>23</b>
<b>Total other operating expenses, net</b>								<b>(31,785)</b>
<b>Net loss for the period attributable to the shareholders, before zakat and income tax</b>								<b>(7,111)</b>
Zakat								<b>(1,170)</b>
<b>Net loss for the period</b>								<b>(8,281)</b>

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
<b>Six-month period ended June 30, 2021 (unaudited)</b>								
<b>Revenues</b>								
Gross premiums written	22,636	112,722	265,252	44,359	41,559	13,107	35,545	<b>535,180</b>
Reinsurance premiums ceded	(15,406)	(93,688)	51	(37,098)	(35,573)	(8,642)	(19,813)	<b>(210,169)</b>
Excess of loss expenses	(2,108)	(4,324)	(4,558)	(1,439)	-	-	-	<b>(12,429)</b>
<b>Net premiums written</b>	<b>5,122</b>	<b>14,710</b>	<b>260,745</b>	<b>5,822</b>	<b>5,986</b>	<b>4,465</b>	<b>15,732</b>	<b>312,582</b>
Change in unearned premiums, net	(175)	(10,002)	(49,001)	(3,143)	(2,184)	(4,195)	(6,279)	<b>(74,979)</b>
<b>Net premiums earned</b>	<b>4,947</b>	<b>4,708</b>	<b>211,744</b>	<b>2,679</b>	<b>3,802</b>	<b>270</b>	<b>9,453</b>	<b>237,603</b>
Reinsurance commissions	4,125	10,084	196	4,215	3,781	1,774	98	<b>24,273</b>
Other underwriting income	42	14	154	6	29	-	7	<b>252</b>
<b>Total revenues</b>	<b>9,114</b>	<b>14,806</b>	<b>212,094</b>	<b>6,900</b>	<b>7,612</b>	<b>2,044</b>	<b>9,558</b>	<b>262,128</b>
<b>Cost and expenses</b>								
Gross claims paid and loss adjustment expenses, net of recoveries	3,138	20,367	162,321	10,919	879	3,078	20,051	<b>220,753</b>
Reinsurer's share of claims paid	(2,340)	(17,168)	(1,932)	(10,129)	(492)	(3,078)	(16,455)	<b>(51,594)</b>
<b>Net claims paid</b>	<b>798</b>	<b>3,199</b>	<b>160,389</b>	<b>790</b>	<b>387</b>	<b>-</b>	<b>3,596</b>	<b>169,159</b>
Changes in outstanding claims, net	400	2,964	7,005	(336)	114	-	112	<b>10,259</b>
Changes in claims incurred but not reported, net	(89)	243	(309)	(540)	(387)	-	(689)	<b>(1,771)</b>
<b>Net claims incurred</b>	<b>1,109</b>	<b>6,406</b>	<b>167,085</b>	<b>(86)</b>	<b>114</b>	<b>-</b>	<b>3,019</b>	<b>177,647</b>
Premium deficiency reserve	-	-	(3,206)	-	-	-	-	<b>(3,206)</b>
Additional unexpired risk reserve	-	-	-	736	256	-	-	<b>992</b>
Unallocated loss adjustment expense provision	117	(20)	36	(336)	33	-	(72)	<b>(242)</b>
Policy acquisition costs	2,427	5,979	13,776	3,340	2,528	1,434	2,538	<b>32,022</b>
Other underwriting expenses	619	1,513	12,006	632	567	266	15	<b>15,618</b>
<b>Total underwriting cost and expenses</b>	<b>4,272</b>	<b>13,878</b>	<b>189,697</b>	<b>4,286</b>	<b>3,498</b>	<b>1,700</b>	<b>5,500</b>	<b>222,831</b>
<b>Net underwriting income</b>	<b>4,842</b>	<b>928</b>	<b>22,397</b>	<b>2,614</b>	<b>4,114</b>	<b>344</b>	<b>4,058</b>	<b>39,297</b>
<b>Other operating income / (expenses)</b>								
Impairment allowance for doubtful premium, reinsurers and other receivables								<b>(7,048)</b>
General and administration expenses								<b>(61,185)</b>
Commission income on deposits								<b>683</b>
Unrealized gain on investments								<b>2,330</b>
Realized gain on investments								<b>77</b>
Other income								<b>244</b>
<b>Total other operating expenses, net</b>								<b>(64,899)</b>
<b>Net loss for the period attributable to the shareholders, before zakat and income tax</b>								<b>(25,602)</b>
Zakat								<b>(1,970)</b>
<b>Net loss for the period</b>								<b>(27,572)</b>

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
Three-month period ended June 30, 2020 (unaudited)								
<b>Revenues</b>								
Gross premiums written	7,089	14,946	120,396	364	11,537	5,262	20,100	179,694
Reinsurance premiums ceded	(5,609)	(13,257)	(3,006)	87	(10,156)	(5,262)	(9,307)	(46,510)
Excess of loss expenses	(1,480)	(775)	(3,775)	(300)	(90)	-	-	(6,420)
<b>Net premiums written</b>	-	914	113,615	151	1,291	-	10,793	126,764
Change in unearned premiums, net	2,856	1,005	(26,380)	330	894	-	(5,113)	(26,408)
<b>Net premiums earned</b>	2,856	1,919	87,235	481	2,185	-	5,680	100,356
Reinsurance commissions	3,352	4,847	349	1,976	1,930	602	648	13,704
Other underwriting income	20	3	-	2	4	-	1	30
<b>Total revenues</b>	6,228	6,769	87,584	2,459	4,119	602	6,329	114,090
<b>Cost and expenses</b>								
Gross claims paid and loss adjustment expenses, net of recoveries	3,965	2,217	31,216	1,302	1,107	953	15,423	56,183
Reinsurer's share of claims paid	(3,264)	(2,051)	(789)	(1,118)	(552)	(953)	(12,511)	(21,238)
<b>Net claims paid</b>	701	166	30,427	184	555	-	2,912	34,945
Changes in outstanding claims, net	(405)	1,709	5,244	(53)	(291)	-	(747)	5,457
Changes in claims incurred but not reported claims, net	(63)	128	1,581	(129)	(146)	-	523	1,894
<b>Net claims incurred</b>	233	2,003	37,252	2	118	-	2,688	42,296
Premium deficiency reserve	-	-	5,147	-	-	-	-	5,147
Additional unexpired risk reserve	-	-	-	20	-	-	-	20
Unallocated loss adjustment expense provision	(7)	19	217	(5)	(19)	-	(44)	161
Policy acquisition costs	2,355	2,769	5,953	809	1,199	435	2,045	15,565
Other underwriting expenses	22	64	12	14	60	29	-	201
<b>Total underwriting cost and expenses</b>	2,603	4,855	48,581	840	1,358	464	4,689	63,390
<b>Net underwriting income</b>	3,625	1,914	39,003	1,619	2,761	138	1,640	50,700
<b>Other operating (expenses) / income</b>								
Impairment allowance for doubtful premium, reinsurers and other receivables								(8,961)
General and administration expenses								(31,793)
Commission income on deposits								783
Unrealized gain on investments								984
Other income								2,465
<b>Total other operating expenses, net</b>								(36,522)
Net income for the period								14,178
Total income attributed to policyholders								(1,476)
<b>Net income for the period attributable to the shareholders before zakat and income tax</b>								12,702
Zakat								(2,156)
Income tax								(1,245)
<b>Net income for the period</b>								9,301

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
Six-month period ended June 30, 2020 (unaudited)								
<b>Revenues</b>								
Gross premiums written	24,634	80,248	255,340	35,640	30,055	12,379	44,166	482,462
Reinsurance premiums ceded	(18,831)	(72,693)	(6,374)	(33,702)	(23,548)	(12,379)	(29,198)	(196,725)
Excess of loss expenses	(2,869)	(1,450)	(5,125)	(600)	(180)	-	-	(10,224)
<b>Net premiums written</b>	<b>2,934</b>	<b>6,105</b>	<b>243,841</b>	<b>1,338</b>	<b>6,327</b>	<b>-</b>	<b>14,968</b>	<b>275,513</b>
Change in unearned premiums, net	1,709	(2,300)	(61,686)	(124)	(1,843)	-	(6,567)	(70,811)
<b>Net premiums earned</b>	<b>4,643</b>	<b>3,805</b>	<b>182,155</b>	<b>1,214</b>	<b>4,484</b>	<b>-</b>	<b>8,401</b>	<b>204,702</b>
Reinsurance commissions	6,564	9,064	724	6,561	3,333	1,097	3,644	30,987
Other underwriting income	40	13	-	6	17	-	5	81
<b>Total revenues</b>	<b>11,247</b>	<b>12,882</b>	<b>182,879</b>	<b>7,781</b>	<b>7,834</b>	<b>1,097</b>	<b>12,050</b>	<b>235,770</b>
<b>Cost and expenses</b>								
Gross claims paid and loss adjustment expenses, net of recoveries	6,251	3,964	99,982	1,957	4,543	2,540	24,084	143,321
Reinsurer's share of claims paid	(4,848)	(3,680)	(2,828)	(1,690)	(3,669)	(2,540)	(19,921)	(39,176)
<b>Net claims paid</b>	<b>1,403</b>	<b>284</b>	<b>97,154</b>	<b>267</b>	<b>874</b>	<b>-</b>	<b>4,163</b>	<b>104,145</b>
Changes in outstanding claims, net	(306)	1,720	9,092	21	(331)	-	245	10,441
Changes in claims incurred but not reported, net	(157)	142	1,512	(223)	14	-	639	1,927
<b>Net claims incurred</b>	<b>940</b>	<b>2,146</b>	<b>107,758</b>	<b>65</b>	<b>557</b>	<b>-</b>	<b>5,047</b>	<b>116,513</b>
Premium deficiency reserve	-	-	5,223	-	-	-	-	5,223
Additional unexpired risk reserve	-	-	-	(262)	-	-	-	(262)
Unallocated loss adjustment expense provision	102	53	226	(5)	(12)	-	(71)	293
Policy acquisition costs	3,963	5,139	12,657	3,593	2,107	791	3,955	32,205
Other underwriting expenses	186	618	37	388	219	152	296	1,896
<b>Total underwriting cost and expenses</b>	<b>5,191</b>	<b>7,956</b>	<b>125,901</b>	<b>3,779</b>	<b>2,871</b>	<b>943</b>	<b>9,227</b>	<b>155,868</b>
<b>Net underwriting income</b>	<b>6,056</b>	<b>4,926</b>	<b>56,978</b>	<b>4,002</b>	<b>4,963</b>	<b>154</b>	<b>2,823</b>	<b>79,902</b>
<b>Other operating (expenses) / income</b>								
Impairment allowance for doubtful premium, reinsurers and other receivables								(10,852)
General and administration expenses								(66,088)
Commission income on deposits								1,838
Unrealized gain / (loss) on investments								(529)
Other income								2,884
<b>Total other operating loss</b>								<b>(72,747)</b>
<b>Net income for the period</b>								<b>7,155</b>
Total income attributed to the policy holders								(1,153)
<b>Net income for the period attributable to the shareholders, before zakat and income tax</b>								<b>6,002</b>
Zakat								(3,356)
Income tax								(1,245)
<b>Net income for the period</b>								<b>1,401</b>

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & Liability	Extended warranty	Term Life	Total
<b>As at June 30, 2021</b>								
<b>(Unaudited)</b>								
<b>Assets</b>								
Reinsurers' share of unearned premiums	6,737	67,037	-	31,817	32,366	41,777	13,834	<b>193,568</b>
Reinsurers' share of outstanding claims	12,982	92,111	962	380,199	110,933	106	7,543	<b>604,836</b>
Reinsurers' share of claims incurred but not reported	2,701	10,072	859	19,881	9,740	-	5,993	<b>49,246</b>
Deferred policy acquisition costs	879	7,097	14,129	4,312	2,805	11,770	3,087	<b>44,079</b>
Unallocated assets								<b>899,776</b>
<b>Total assets</b>								<b>1,791,505</b>
<b>Liabilities</b>								
Unearned premiums	9,465	80,246	235,423	36,998	36,686	45,972	24,018	<b>468,808</b>
Unearned reinsurance commission	1,348	10,855	1	5,188	3,304	12,904	1	<b>33,601</b>
Outstanding claims	15,455	100,431	75,697	383,812	112,654	106	9,051	<b>697,206</b>
Claims incurred but not reported	2,942	10,579	43,848	19,940	11,303	-	7,491	<b>96,103</b>
Premium deficiency reserve	-	-	9,760	-	-	-	-	<b>9,760</b>
Additional unexpired risk reserve	-	-	-	939	256	-	-	<b>1,195</b>
Unallocated loss adjustment expense provision	435	537	2,451	196	571	-	222	<b>4,412</b>
Unallocated liabilities								<b>242,428</b>
<b>Total liabilities</b>								<b>1,553,513</b>

	Marine	Property	Motor	Engineering	Accident & Liability	Extended Warranty	Term Life	Total
<b>As at December 31, 2020</b>								
<b>(Audited)</b>								
<b>Assets</b>								
Reinsurers' share of unearned premiums	8,730	33,873	1,287	21,169	20,118	38,510	5,684	129,371
Reinsurers' share of outstanding claims	5,419	58,469	2,294	383,118	104,322	41	6,174	559,837
Reinsurers' share of claims incurred but not reported	2,447	8,590	2,188	22,694	8,195	-	8,749	52,863
Deferred policy acquisition costs	1,074	3,641	11,860	2,875	1,972	9,741	1,136	32,299
Unallocated assets								<b>820,358</b>
<b>Total assets</b>								<b>1,594,728</b>
<b>Liabilities</b>								
Unearned premiums	11,283	37,080	187,709	23,207	22,253	38,510	9,590	329,632
Unearned reinsurance commission	2,133	6,094	200	4,949	3,417	13,487	106	30,386
Outstanding claims	7,493	63,824	70,024	387,067	105,929	41	7,570	641,948
Claims incurred but not reported	2,778	8,854	45,486	23,292	10,144	-	10,937	101,491
Premium deficiency reserve	-	-	12,966	-	-	-	-	12,966
Additional unexpired risk reserve	-	-	-	203	-	-	-	203
Unallocated loss adjustment expense provision	319	556	2,415	532	538	-	294	4,654
Unallocated liabilities								<b>207,616</b>
<b>Total liabilities</b>								<b>1,328,896</b>

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**22 Related party balances and transactions**

**22.1 Related party transactions**

Related parties represent 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 the agreed terms and are approved by the Board of Directors.

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

<b>Related Party</b>	<b>Nature of Transactions</b>	<b>Three-month period ended June 30, 2021 (Unaudited)</b>	<b>Three-month period ended June 30, 2020 (Unaudited)</b>	<b>Six-month period ended June 30, 2021 (Unaudited)</b>	<b>Six-month period ended June 30, 2020 (Unaudited)</b>
Board Members	Fees and related expenses	75	236	1,508	1,265
Key management personnel	-Remuneration and related expenses	2,806	2,748	5,712	5,580
	-Loans & advances	-	250	-	250
Shareholders' and related parties (common ownership)	-Insurance premiums written	14,747	6,324	32,535	21,007
	-Claims paid	3,827	2,070	6,223	4,903
	-Facultative premiums ceded	429	619	1,396	1,725
	-Facultative commission received	17	53	23	297
	-Facultative claim recovered	(23)	-	71	208
	-Expenses incurred	1,798	1,489	3,351	2,820
	-Commission income on deposits	224	783	455	1,838

**22.2 Related party balances**

	<b>June 30, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Premiums receivable, net	8,924	6,377
Claims payable	(3,328)	1,041
Cash and cash equivalents with a shareholder	68,364	80,379
Short-term deposits with a shareholder	190,000	192,250
Amounts due to a shareholder for facultative transactions	(1,218)	(174)
Advances due from key management personnel	196	627
Income tax receivable from foreign shareholders	359	359
Statutory deposit with a shareholder	20,000	20,000
Accrued income on statutory deposit	1,549	1,469
Employee benefits payable to key management personnel	3,621	3,312

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**23 Capital management**

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 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 amounts of dividends paid to shareholders or issue shares.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company solvency margin as at 30 June 2021, is below the minimum solvency requirements set by SAMA. Management is at present taking active steps to restore solvency to the minimum level.

**WATANIYA INSURANCE COMPANY**  
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**24 Supplementary information**

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

**a) Interim statement of financial position**

	June 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	54,942	14,687	69,629	66,930	13,803	80,733
Short-term Deposits	300,247	-	300,247	242,250	-	242,250
Premiums receivable – net	259,713	-	259,713	194,538	-	194,538
Due from reinsurers – net	3,362	-	3,362	44,039	-	44,039
Reinsurers' share of unearned premiums	193,568	-	193,568	129,371	-	129,371
Reinsurers' share of outstanding claims	604,836	-	604,836	559,837	-	559,837
Reinsurers' share of claims incurred but not reported	49,246	-	49,246	52,863	-	52,863
Deferred policy acquisition costs	44,079	-	44,079	32,299	-	32,299
Investments	-	174,282	174,282	-	166,952	166,952
Prepaid expenses and other assets	16,717	407	17,124	19,522	371	19,893
Due from shareholders' / insurance operations	22,518	-	22,518	-	21,763	21,763
Property and equipment	-	15,980	15,980	-	12,371	12,371
Intangible assets	-	37,890	37,890	-	38,113	38,113
Statutory deposit	-	20,000	20,000	-	20,000	20,000
Accrued income on statutory deposit	-	1,549	1,549	-	1,469	1,469
<b>TOTAL OPERATIONS' ASSETS</b>	<b>1,549,228</b>	<b>264,795</b>	<b>1,814,023</b>	<b>1,341,649</b>	<b>274,842</b>	<b>1,616,491</b>
Less: Inter-operations eliminations	(22,518)	-	(22,518)	-	(21,763)	(21,763)
<b>TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION</b>	<b>1,526,710</b>	<b>264,795</b>	<b>1,791,505</b>	<b>1,341,649</b>	<b>253,079</b>	<b>1,594,728</b>

**WATANIYA INSURANCE COMPANY**  
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**24 Supplementary information (continued)**

**a) Interim statement of financial position (continued)**

	June 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>LIABILITIES</b>						
Policyholders claims payable	39,828	-	39,828	22,681	-	22,681
Accrued expenses and other liabilities	73,925	232	74,157	67,762	937	68,699
Due to Insurance / shareholders' operations	-	22,518	22,518	21,763	-	21,763
Due to reinsurers, agents, brokers and third-party administrator	121,922	-	121,922	105,695	-	105,695
Unearned premiums	468,808	-	468,808	329,632	-	329,632
Unearned reinsurance commission	33,601	-	33,601	30,386	-	30,386
Outstanding claims	697,206	-	697,206	641,948	-	641,948
Claims incurred but not reported	96,103	-	96,103	101,491	-	101,491
Premium deficiency reserve	9,760	-	9,760	12,966	-	12,966
Additional unexpired risk reserve	1,195	-	1,195	203	-	203
Unallocated loss adjustment expense provision	4,412	-	4,412	4,654	-	4,654
Surplus distribution payable	2,468	-	2,468	2,468	-	2,468
Zakat and income tax payable	-	2,504	2,504	-	6,604	6,604
Accrued income on statutory deposit	-	1,549	1,549	-	1,469	1,469
<b>TOTAL OPERATIONS' LIABILITIES</b>	<b>1,549,228</b>	<b>26,803</b>	<b>1,576,031</b>	<b>1,341,649</b>	<b>9,010</b>	<b>1,350,659</b>
Less: Inter-operations eliminations	-	(22,518)	(22,518)	(21,763)	-	(21,763)
<b>TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION</b>	<b>1,549,228</b>	<b>4,285</b>	<b>1,553,513</b>	<b>1,319,886</b>	<b>9,010</b>	<b>1,328,896</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	-	200,000	200,000	-	200,000	200,000
Statutory reserve	-	15,354	15,354	-	15,354	15,354
Retained earnings	-	22,638	22,638	-	50,478	50,478
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>237,992</b>	<b>237,992</b>	<b>-</b>	<b>265,832</b>	<b>265,832</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,549,228</b>	<b>242,277</b>	<b>1,791,505</b>	<b>1,319,886</b>	<b>274,842</b>	<b>1,594,728</b>

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**24 Supplementary information (continued)**

**b) Interim statement of income**

	Three-month period ended June 30, 2021 (Unaudited)			Three-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b>REVENUES</b>						
Gross premiums written	226,757	-	226,757	179,694	-	179,694
Reinsurance premiums ceded	(80,957)	-	(80,957)	(46,510)	-	(46,510)
Excess of loss expenses	(8,198)	-	(8,198)	(6,420)	-	(6,420)
<b>Net premiums written</b>	<b>137,602</b>	<b>-</b>	<b>137,602</b>	<b>126,764</b>	<b>-</b>	<b>126,764</b>
Changes in unearned premiums, net	(15,143)	-	(15,143)	(26,408)	-	(26,408)
<b>Net premiums earned</b>	<b>122,459</b>	<b>-</b>	<b>122,459</b>	<b>100,356</b>	<b>-</b>	<b>100,356</b>
Reinsurance commissions	12,064	-	12,064	13,704	-	13,704
Other underwriting income	125	-	125	30	-	30
<b>TOTAL REVENUES</b>	<b>134,648</b>	<b>-</b>	<b>134,648</b>	<b>114,090</b>	<b>-</b>	<b>114,090</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid and loss adjustment expenses, net of recoveries	108,968	-	108,968	56,183	-	56,183
Reinsurers' share of claims paid	(19,352)	-	(19,352)	(21,238)	-	(21,238)
<b>Net claims paid</b>	<b>89,616</b>	<b>-</b>	<b>89,616</b>	<b>34,945</b>	<b>-</b>	<b>34,945</b>
Changes in outstanding claims, net	443	-	443	5,457	-	5,457
Changes in claims incurred but not reported, net	328	-	328	1,894	-	1,894
<b>Net claims incurred</b>	<b>90,387</b>	<b>-</b>	<b>90,387</b>	<b>42,296</b>	<b>-</b>	<b>42,296</b>
Premium deficiency reserve	(2,249)	-	(2,249)	5,147	-	5,147
Additional unexpired risk reserve	584	-	584	20	-	20
Unallocated loss adjustment expense provision	(244)	-	(244)	161	-	161
Policy acquisition costs	17,110	-	17,110	15,565	-	15,565
Other underwriting expenses	4,386	-	4,386	201	-	201
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>109,974</b>	<b>-</b>	<b>109,974</b>	<b>63,390</b>	<b>-</b>	<b>63,390</b>
<b>NET UNDERWRITING INCOME</b>	<b>24,674</b>	<b>-</b>	<b>24,674</b>	<b>50,700</b>	<b>-</b>	<b>50,700</b>

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**24 Supplementary information (continued)**

**b) Interim statement of income (continued)**

	Three-month period ended June 30, 2021 (Unaudited)			Three-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
<b><u>OTHER OPERATING INCOME / (EXPENSES)</u></b>						
Impairment allowance for doubtful premium, reinsurers and other receivables	(6,756)	-	(6,756)	(8,961)	-	(8,961)
General and administration expenses	(24,124)	(2,092)	(26,216)	(30,135)	(1,658)	(31,793)
Commission income on deposits	323	16	339	694	89	783
Unrealized gain on investments	-	782	782	-	984	984
Realized gain on investments	-	43	43	-	-	-
Other income	23	-	23	2,465	-	2,465
<b>TOTAL OTHER OPERATING EXPENSES, NET</b>	<b>(30,534)</b>	<b>(1,251)</b>	<b>(31,785)</b>	<b>(35,937)</b>	<b>(585)</b>	<b>(36,522)</b>
<b>NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS</b>	<b>(5,860)</b>	<b>-</b>	<b>(5,860)</b>	<b>14,763</b>	<b>-</b>	<b>14,763</b>
(Deficit) / surplus to Shareholders' operations	5,860	(5,860)	-	(13,287)	13,287	-
<b>TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX</b>		<b>(7,111)</b>	<b>(7,111)</b>	<b>1,476</b>	<b>12,702</b>	<b>14,178</b>
Zakat	-	(1,170)	(1,170)	-	(2,156)	(2,156)
Income tax	-	-	-	-	(1,245)	(1,245)
<b>Net (loss) / income for the period</b>	<b>-</b>	<b>(8,281)</b>	<b>(8,281)</b>	<b>1,476</b>	<b>9,301</b>	<b>10,777</b>
<b>(losses) / Earnings per share (Expressed in SAR per share)</b>	<b>-</b>	<b>(0.41)</b>	<b>-</b>	<b>-</b>	<b>0.47</b>	<b>-</b>

**c) Interim statement of comprehensive income**

	Three-month period ended June 30, 2021 (Unaudited)			Three-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Total (loss) / income for the period	-	(8,281)	(8,281)	-	9,301	9,301
<b>Other comprehensive loss Items that will not be reclassified to statements of income in subsequent years</b>						
Remeasurement gain/ (loss) on defined benefit obligation	-	41	41	-	(354)	(354)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>-</b>	<b>(8,240)</b>	<b>(8,240)</b>	<b>-</b>	<b>8,947</b>	<b>8,947</b>

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**24 Supplementary information (continued)**

**d) Interim statement of income**

	Six-month period ended June 30, 2021 (Unaudited)			Six-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b>REVENUES</b>						
Gross premiums written	535,180	-	535,180	482,462	-	482,462
Reinsurance premiums ceded	(210,169)	-	(210,169)	(196,725)	-	(196,725)
Excess of loss expenses	(12,429)	-	(12,429)	(10,224)	-	(10,224)
<b>Net premiums written</b>	<b>312,582</b>	<b>-</b>	<b>312,582</b>	<b>275,513</b>	<b>-</b>	<b>275,513</b>
Changes in unearned premiums, net	(74,979)	-	(74,979)	(70,811)	-	(70,811)
<b>Net premiums earned</b>	<b>237,603</b>	<b>-</b>	<b>237,603</b>	<b>204,702</b>	<b>-</b>	<b>204,702</b>
Reinsurance commissions	24,273	-	24,273	30,987	-	30,987
Other underwriting income	252	-	252	81	-	81
<b>TOTAL REVENUES</b>	<b>262,128</b>	<b>-</b>	<b>262,128</b>	<b>235,770</b>	<b>-</b>	<b>235,770</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid and loss adjustment expenses, net of recoveries	220,753	-	220,753	143,321	-	143,321
Reinsurers' share of claims paid	(51,594)	-	(51,594)	(39,176)	-	(39,176)
<b>Net claims paid</b>	<b>169,159</b>	<b>-</b>	<b>169,159</b>	<b>104,145</b>	<b>-</b>	<b>104,145</b>
Changes in outstanding claims, net Changes in claims incurred but not reported, net	10,259	-	10,259	10,441	-	10,441
	(1,771)	-	(1,771)	1,927	-	1,927
<b>Net claims incurred</b>	<b>177,647</b>	<b>-</b>	<b>177,647</b>	<b>116,513</b>	<b>-</b>	<b>116,513</b>
Premium deficiency reserve	(3,206)	-	(3,206)	5,223	-	5,223
Additional unexpired risk reserve	992	-	992	(262)	-	(262)
Unallocated loss adjustment expense provision	(242)	-	(242)	293	-	293
Policy acquisition costs	32,022	-	32,022	32,205	-	32,205
Other underwriting expense	15,618	-	15,618	1,896	-	1,896
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>222,831</b>	<b>-</b>	<b>222,831</b>	<b>155,868</b>	<b>-</b>	<b>155,868</b>
<b>NET UNDERWRITING INCOME</b>	<b>39,297</b>	<b>-</b>	<b>39,297</b>	<b>79,902</b>	<b>-</b>	<b>79,902</b>

**WATANIYA INSURANCE COMPANY**  
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**24 Supplementary information (continued)**

**d) Interim statement of income (continued)**

	Six-month period ended June 30, 2021 (Unaudited)			Six-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b><u>OTHER OPERATING INCOME / (EXPENSES)</u></b>						
Impairment allowance for doubtful premium, reinsurers and other receivables	(7,048)	-	(7,048)	(10,852)	-	(10,852)
General and administration expenses	(55,562)	(5,623)	(61,185)	(61,892)	(4,196)	(66,088)
Commission income on deposits	653	30	683	1,484	354	1,838
Unrealized gain / (loss) on investments	-	2,330	2,330	-	(529)	(529)
Realized gain on investments	-	77	77	-	-	-
Other income	244	-	244	2,884	-	2,884
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(61,713)</b>	<b>(3,186)</b>	<b>(64,899)</b>	<b>(68,376)</b>	<b>(4,371)</b>	<b>(72,747)</b>
<b>NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS</b>	<b>(22,416)</b>	<b>-</b>	<b>(22,416)</b>	<b>11,526</b>	<b>-</b>	<b>11,526</b>
(Deficit) / Surplus to Shareholders operations	22,416	(22,416)	-	(10,373)	10,373	-
<b>TOTAL (LOSS) / INCOME BEFORE ZAKAT AND INCOME TAX</b>	<b>-</b>	<b>(25,602)</b>	<b>(25,602)</b>	<b>1,153</b>	<b>6,002</b>	<b>7,155</b>
Zakat	-	(1,970)	(1,970)	-	(3,356)	(3,356)
Income tax	-	-	-	-	(1,245)	(1,245)
<b>Net (loss) / income for the period</b>	<b>-</b>	<b>(27,572)</b>	<b>(27,572)</b>	<b>1,153</b>	<b>1,401</b>	<b>2,554</b>
<b>Earnings / (Loss) per share (Expressed in SAR per share)</b>	<b>-</b>	<b>(1.38)</b>	<b>-</b>	<b>-</b>	<b>0.07</b>	<b>-</b>

**e) Interim statement of comprehensive income**

	Six-month period ended June 30, 2021 (Unaudited)			Six-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share holders' operations	Total
Net (loss) / income for the period	-	(27,572)	(27,572)	-	1,401	1,401
<b>Other comprehensive loss</b>						
<b>Items that will not be reclassified to statements of income in subsequent years</b>						
Remeasurement loss on defined benefit obligation	-	(268)	(268)	-	(350)	(350)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>-</b>	<b>(27,840)</b>	<b>(27,840)</b>	<b>-</b>	<b>1,051</b>	<b>1,051</b>

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**24 Supplementary information (continued)**

**f) Interim statement of cash flows**

	Six-month period ended June 30, 2021 (Unaudited)			Six-month period ended June 30, 2020 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net (loss) / income for the period attributable to shareholders before zakat and income tax	-	(25,602)	(25,602)	-	6,002	6,002
Adjustments for non-cash items:						
Income attributable to insurance operations	-	-	-	1,153	-	1,153
Depreciation and amortisation of property and equipment and intangible assets	-	3,350	3,350	-	2,792	2,792
Shareholder share of (deficit) / surplus from insurance operations	(22,416)	22,416	-	10,374	(10,374)	-
Impairment allowance for doubtful premium, reinsurers and other receivables	7,048	-	7,048	10,852	-	10,852
Unrealized (gain) / loss on investments	-	(2,330)	(2,330)	-	529	529
Realized gain on investments	-	(77)	(77)	-	-	-
	(15,368)	(2,243)	(17,611)	22,379	(1,051)	21,328
<u>Changes in operating assets and liabilities:</u>						
Premiums' receivable	(71,393)	-	(71,393)	(61,663)	-	(61,663)
Reinsurers' share of unearned premiums	(64,197)	-	(64,197)	(46,482)	-	(46,482)
Reinsurers' share of outstanding claims	(44,999)	-	(44,999)	6,512	-	6,512
Reinsurers' share of claims incurred but not reported	3,617	-	3,617	709	-	709
Deferred policy acquisition costs	(11,780)	-	(11,780)	(10,094)	-	(10,094)
Due from reinsurers	39,847	-	39,847	117,149	-	117,149

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**24 Supplementary information (continued)**

**f) Interim statement of cash flows (continued)**

	Six-month period ended June 30, 2021 – (Unaudited)			Six-month period ended June 30, 2020 – (Unaudited)		
	Insurance operation	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Prepaid expenses and other assets	2,805	(36)	2,769	(2,317)	(242)	(2,559)
Policyholders claims payable	17,147	-	17,147	(115,902)	-	(115,902)
Accrued expenses and other liabilities Due to reinsurers, agents, brokers and third-party administrators	5,895	(705)	5,190	9,657	288	9,945
Unearned premiums	16,227	-	16,227	40,230	-	40,230
Unearned reinsurance commission	139,176	-	139,176	117,293	-	117,293
Outstanding claims	3,215	-	3,215	7,126	-	7,126
Claims incurred but not reported	55,258	-	55,258	3,929	-	3,929
Premium deficiency reserve	(5,388)	-	(5,388)	1,218	-	1,218
Additional unexpired risk reserve	(3,206)	-	(3,206)	5,223	-	5,223
Due to shareholder operations	992	-	992	(262)	-	(262)
Unallocated loss adjustment expense provision	(21,597)	21,597	-	(19,625)	19,625	-
	(242)	-	(242)	293	-	293
	46,009	18,613	64,622	75,373	18,620	93,993
Surplus paid to policy holders	-	-	-	(2,512)	-	(2,512)
Zakat and income tax paid net of recovery	-	(6,070)	(6,070)	-	(5,848)	(5,848)
<b>Net cash from operating activities</b>	<b>46,009</b>	<b>12,543</b>	<b>58,552</b>	<b>72,861</b>	<b>12,772</b>	<b>85,633</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Additions to property, equipment and intangible Assets	-	(6,736)	(6,736)	-	(6,734)	(6,734)
Addition to Investments	(57,997)	(5,000)	(62,997)	-	-	-
Investment income received	-	77	77	-	-	-
<b>Net cash used in investing activities</b>	<b>(57,997)</b>	<b>(11,659)</b>	<b>(69,656)</b>	<b>-</b>	<b>(6,734)</b>	<b>(6,734)</b>
Net change in cash and cash Equivalents	(11,988)	884	(11,104)	72,861	6,038	78,899
Cash and cash equivalents, beginning of the period	66,930	13,803	80,733	292,354	62,353	354,707
<b>Cash and cash equivalents, end of the period</b>	<b>54,942</b>	<b>14,687</b>	<b>69,629</b>	<b>365,215</b>	<b>68,391</b>	<b>433,606</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION</b>						
Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets	-	359	359	-	359	359
Remeasurement loss on defined obligation adjusted against accrued expenses and other liabilities	(268)	-	(268)	(350)	-	(350)

- g) As required by the Implementing Regulations and 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>

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

## **25 Impact of COVID-19**

The World Health Organisation declared the Coronavirus (COVID-19) to be a global pandemic on March 11, 2020, escalating from a declaration of a public health emergency on January 30, 2020. COVID-19 has had unexpected human and economic consequences across many countries and has resulted in significant market volatility.

COVID-19 pandemic continues to disrupt global markets as many geographies are beginning to experience a "second / third wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, including start of vaccination process, and has begun taking phased measures to normalize international travel and resume Umrah pilgrimage.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures at a granular level, while maintaining acceptable service levels and operational activities and ensuring the safety and wellbeing of its employees.

Management of the Company is closely monitoring the situation as it evolves which is outlined on the broad dimensions as below:

### **(a) Business impact**

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.

There has been a limited impact on collections and liquidity during the current phase and this is being monitored regularly by management. Overall, product and pricing strategies continue to be on track and hence management does not see any significant changes presently.

Based upon the current trends, management has updated its sales forecasts to reflect these for the future. Management will continue to monitor the impact and update the forecasts further considering the situation as it continues to evolve.

### **(b) Impact on claims and reserving**

#### **Motor technical reserves**

In response to the COVID-19 pandemic, SAMA issued a circular 189 (the "circular") dated May 8, 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, without any additional consideration from the policyholders.

The management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the Company considers the extension of two months in existing motor policies as new policy and recorded a premium deficiency reserve based on the expected claims for the extended 2 months period. 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 within Premium deficiency reserve amounting to SAR 9.7 million as at June 30, 2021 (December 31, 2020: SAR 12.96 million).

The reserving towards IBNR continues to be consistent with the methodology and techniques applied as at December 31, 2020 and it factors the actual claim experience in the period ended June 30, 2021.

**25 Impact of COVID-19 (continued)**

**(c) Impact on financial assets**

In line with the impact upon the capital markets and interest-rates in the initial period of the pandemic in March 2020, there was some volatility and impact on the investment valuation which has recovered during the year ended December 31, 2020 and period ended June 30, 2021. The determination of fair value considers observable market information, determining whether specific markets are active or inactive, and whether transactions in inactive markets are deemed to be disorderly (i.e. forced or distressed), with none noted for the portfolio of financial assets held by the Company.

The Company continued to assess whether there is an objective evidence that a financial asset or a group of financial assets is impaired. During the period ended June 30, 2021, the Company applied the accounting policy for impairment of financial assets consistent with prior year. With respect to insurance and reinsurance receivables, the Company is closely monitoring the credit quality of its customers and reinsurance companies and updating the allowance for impairment whenever there is an objective evidence of credit impairment.

Based on these assessments, the Company believes that the COVID-19 pandemic has had no material effect on the Company's reported results for the three-month and six-month periods ended June 30, 2021. The Company continues to monitor the situation closely.

**(d) Accounting and financial reporting**

In the current phase of COVID-19 pandemic, the Company continues to apply its accounting policies consistently without deviation. Considering the impact on the business is limited, management continues to adopt a consistent approach to the use of estimates in the financial information. As the situation evolves in future, management will continue to monitor and consider updates as appropriate at that time

The Company continues to maintain a sound liquidity position during this phase.

**26 Comparative figures**

The reclassification in comparative interim statement of income for the three month and six-month period ended June 30, 2021 relates to Value Added Tax accrued on reinsurance commission income amounting to SAR 0.20 million and SAR 1.89 million respectively, from the "general and administrative expenses" to "other underwriting expenses".

**27 Approval of the interim condensed financial Statements**

These interim condensed financial statements have been approved by the Board of Directors on August 9, 2021 corresponding to Muharram 1, 1443 H.