

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

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENT AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022**

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Unaudited Interim Condensed Financial Statements**  
**For the three-month period ended March 31, 2022**

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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 - a Saudi Joint Stock Company (the "Company") as at March 31, 2022 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-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), that is 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", that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

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May 18, 2022 G  
Corresponding to Shawwal 17, 1443 H  
Jeddah, Kingdom of Saudi Arabia



**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim Statement of Financial Position**  
**As at March 31, 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

		March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
	Note		
<b>ASSETS</b>			
Cash and cash equivalents	4	107,787	42,130
Short-term deposits	5	211,369	191,369
Premiums receivable – net	6	313,348	249,526
Due from reinsurers – net	7	45,019	39,155
Reinsurers' share of unearned premiums	8	203,691	173,197
Reinsurers' share of outstanding claims	8	291,289	280,924
Reinsurers' share of claims incurred but not reported	8	25,832	30,637
Deferred policy acquisition costs		46,350	38,790
Investments	9	118,490	179,882
Prepaid expenses and other assets	10	40,697	38,493
Property and equipment		18,936	17,403
Intangible assets		43,129	44,139
Statutory deposit	11	20,000	20,000
Accrued income on statutory deposit	11	1,645	1,592
<b>TOTAL ASSETS</b>		<b>1,487,582</b>	<b>1,347,237</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Policyholders payable		41,004	29,961
Accrued expenses and other liabilities		100,844	72,158
Due to reinsurers, agents, brokers and third-party administrators	12	196,052	139,654
Unearned premiums	8	451,180	392,680
Unearned reinsurance commission		34,916	29,200
Outstanding claims	8	387,217	373,698
Claims incurred but not reported	8	71,744	76,046
Premium deficiency reserve	8	9,411	10,696
Additional unexpired risk reserve	8	1,648	1,621
Unallocated loss adjustment expense provision	8	4,970	4,863
Zakat and income tax provision	13.2	784	3,873
Accrued income on statutory deposit	11	1,645	1,592
<b>TOTAL LIABILITIES</b>		<b>1,301,415</b>	<b>1,136,042</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	200,000	200,000
Statutory reserve	15	15,354	15,354
Accumulated losses		(29,187)	(4,159)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>186,167</b>	<b>211,195</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,487,582</b>	<b>1,347,237</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	16, 13.3	<b>50,984</b>	<b>50,780</b>

S.F. Abbas  

The accompanying notes from 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 period ended March 31, 2022**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended March 31, 2022 (Unaudited)	Three-month period ended March 31, 2021 (Unaudited)
	Note		
<b>REVENUES</b>			
Gross premiums written	17	267,734	308,423
Reinsurance premiums ceded	18	(108,963)	(129,212)
Excess of loss expenses	18	(4,963)	(4,231)
<b>Net premiums written</b>		<b>153,808</b>	<b>174,980</b>
Changes in unearned premium	8.2	(58,500)	(120,930)
Changes in reinsurer's share of unearned premium	8.2	30,494	61,094
<b>Net premiums earned</b>		<b>125,802</b>	<b>115,144</b>
Reinsurance commissions		11,921	12,209
Other underwriting income		196	127
<b>TOTAL REVENUES</b>		<b>137,919</b>	<b>127,480</b>
<b>COST AND EXPENSES</b>			
Gross claims paid and loss adjustment expenses, net of recoveries		117,782	111,785
Reinsurers' share of claims paid		(19,221)	(32,242)
<b>Net claims paid</b>		<b>98,561</b>	<b>79,543</b>
Changes in outstanding claims		13,519	24,947
Changes in reinsurers' share of outstanding claims		(10,365)	(15,131)
Changes in claims incurred but not reported, net		(4,302)	(4,739)
Changes in reinsurers' share of claims incurred but not reported		4,805	2,640
<b>Net claims incurred</b>		<b>102,218</b>	<b>87,260</b>
Changes in premium deficiency reserve		(1,285)	(957)
Changes in additional unexpired risk reserve		27	408
Changes in unallocated loss adjustment expense provision		107	2
Policy acquisition costs		18,473	14,912
Other underwriting expenses	19	6,470	11,232
<b>TOTAL UNDERWRITING COST AND EXPENSES</b>		<b>126,010</b>	<b>112,857</b>
<b>NET UNDERWRITING INCOME</b>		<b>11,909</b>	<b>14,623</b>

S. F. Abbas

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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 period ended March 31, 2022**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

		Three-month period ended March 31, 2022 (Unaudited)	Three-month period ended March 31, 2021 (Unaudited)
	Note		
<b><u>OTHER OPERATING (EXPENSES) / INCOME</u></b>			
Allowance for impairment of doubtful premiums, reinsurers' and other receivables	6	(1,835)	(292)
General and administration expenses		(35,504)	(34,969)
Commission income on deposits		587	344
Unrealized gain on investments		608	1,548
Other investment income		143	34
Other income		-	221
<b>TOTAL OTHER OPERATING EXPENSES, NET</b>		<b>(36,001)</b>	<b>(33,114)</b>
<b>Loss for the period before zakat and income tax</b>		<b>(24,092)</b>	<b>(18,491)</b>
Zakat	13.2	(558)	(800)
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>(24,650)</b>	<b>(19,291)</b>
<b>Loss per share (expressed in SAR per share)</b>	14	<b>(1.23)</b>	<b>(0.96)</b>

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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 Comprehensive Income**  
**For the three-month period ended March 31, 2022**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended March 31, 2022 (Unaudited)	Three-month period ended March 31, 2021 (Unaudited)
<b>NET LOSS FOR THE PERIOD ATTRIBUTABLE TO THE SHAREHOLDERS</b>	<b>(24,650)</b>	<b>(19,291)</b>
<b>Other comprehensive loss</b>		
<i>Items that will not be reclassified to statement of income in subsequent years</i>		
Remeasurement loss on defined benefit obligation	(20)	(309)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(24,670)</b>	<b>(19,600)</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 Changes in Equity**  
**For three-month period ended March 31, 2022**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**Three-month period ended March 31, 2022**

	Share Capital	Statutory reserve	Accumulated loss	Total
<b>Balance at the beginning of the period (unaudited)</b>	<b>200,000</b>	<b>15,354</b>	<b>(4,159)</b>	<b>211,195</b>
Net loss for the period attributable to shareholders	-	-	(24,650)	(24,650)
Other comprehensive loss for the period – remeasurement loss on defined benefit obligation	-	-	(20)	(20)
Adjustment to income tax	-	-	(358)	(358)
<b>Total comprehensive loss for the period attributable to shareholders</b>	<b>-</b>	<b>-</b>	<b>(25,028)</b>	<b>(25,028)</b>
<b>Balance at the end of the period (unaudited)</b>	<b>200,000</b>	<b>15,354</b>	<b>(29,187)</b>	<b>186,167</b>

**Three-month period ended March 31, 2021**

	Share capital	Statutory reserve	Retained earnings	Total
<b>Balance at the beginning of the period (unaudited)</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	-	-	(19,291)	(19,291)
Other comprehensive loss for the period – remeasurement gain on defined benefit obligation	-	-	(309)	(309)
<b>Total comprehensive loss for the period attributable to shareholders</b>	<b>-</b>	<b>-</b>	<b>(19,600)</b>	<b>(19,600)</b>
<b>Balance at the end of the period (unaudited)</b>	<b>200,000</b>	<b>15,354</b>	<b>30,878</b>	<b>246,232</b>

S.F Abbas

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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 three-month period ended March 31, 2022**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

		<b>Three-month period ended March 31, 2022 (Unaudited)</b>	<b>Three-month period ended March 31, 2021 (Unaudited)</b>
	<b>Note</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period attributable to shareholders before zakat		(24,092)	(18,491)
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation of property, equipment and intangibles		2,005	1,661
Allowance for impairment of doubtful premiums, reinsurers' and other receivables		1,835	292
Unrealized gain on investments	9.1	(608)	(1,548)
Other investments income		(143)	(34)
Provision for employee benefits obligation		781	776
Commission income on deposits		(587)	(344)
		(20,809)	(17,688)
<b>Changes in operating assets and liabilities:</b>			
Premiums receivable		(65,657)	(133,423)
Reinsurers' share of unearned premiums		(30,494)	(61,094)
Reinsurers' share of outstanding claims		(10,365)	(15,131)
Reinsurers' share of claims incurred but not reported		4,805	2,640
Deferred policy acquisition costs		(7,560)	(12,577)
Due from reinsurers		(5,864)	33,040
Prepaid expenses and other assets		(2,311)	(2,722)
Policyholders claims payables		11,043	10,981
Accrued expenses and other liabilities		28,390	26,240
Due to reinsurers, agents, brokers and third-party administrators		56,398	39,138
Unearned premiums		58,500	120,930
Unearned reinsurance commission		5,716	4,955
Outstanding claims		13,519	24,947
Claims incurred but not reported		(4,302)	(4,739)
Premium deficiency reserve		(1,285)	(957)
Additional unexpired risk reserve		27	408
Unallocated loss adjustment expense provision		107	2
		29,858	14,950
Zakat and income tax paid	13.2	(3,647)	-
Payment of employee benefits obligation		(505)	(209)
<b>Net cash generated from operating activities</b>		<b>25,706</b>	<b>14,741</b>

  
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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 three-month period ended March 31, 2022**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	<b>Three-month period ended March 31, 2022 (Unaudited)</b>	<b>Three-month period ended March 31, 2021 (Unaudited)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(2,528)	(188)
Additions to intangible assets	-	(1,426)
Addition to investments	-	(5,000)
Other investment income	143	34
Proceeds from Investments	62,000	-
Placements in short-term deposits	(211,369)	-
Proceeds from short term deposits	191,369	-
Income received from short term deposits	336	81
<b>Net cash generated from / (used in) investing activities</b>	<b>39,951</b>	<b>(6,499)</b>
Net change in cash and cash equivalents	65,657	8,242
Cash and cash equivalents, at the beginning of the period	42,130	80,733
<b>Cash and cash equivalents, at the end of the period</b>	<b>107,787</b>	<b>88,975</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION</b>		
Remeasurement (loss) on defined benefit obligation adjusted against accrued expenses and other liabilities	(20)	(309)

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16/03/2022

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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**  
**March 31, 2022**  
(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 and Industry's Resolution number 158/K dated Jumad-ul-Awal 12, 1431H (corresponding to April 26, 2010). The Registered Office address of the Company is Juffali Building, Madina Road, Jeddah, Saudi Arabia.

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

The Company has incurred a net loss attributable to the shareholders of Saudi Riyals 24.65 million for the three-month period ended March 31, 2022 (Net loss of Saudi Riyals 19.29 million for the three-month period ended March 31, 2021), and as of that date, its accumulated losses amounted to Saudi Riyals 29.19 million (accumulated losses of Saudi Riyals 4.16 million as at December 31, 2021) and the Company's solvency margin stayed below the minimum solvency requirements set by the SAMA (refer note 23). The Company's Board of Directors in their meeting held on September 16, 2021, recommended to increase the share capital by offering rights issue amounting to Saudi Riyals 200 million in order to immediately improve the solvency margin and to provide the financial support necessary for the Company to undertake management's proposed initiatives to reduce loss ratios and improve business profitability. The Company has received SAMA approval via letter dated November 6, 2021 relating to rights issue, subject to completion of other regulatory procedures and Company's shareholders' approval. The approval has a validity of one year from the date of the letter to complete the remaining formalities relating to the rights issue. The Company has obtained approval from the Capital Market Authority ("CMA") on March 8, 2022 relating to rights issue. The Extraordinary General Assembly of the Company was held on April 13, 2022 where the share capital increase by way of rights issue was formally approved by the shareholders. As of the date of approval of these interim condensed financial statements, the rights issue subscription procedures, including the realization of proceeds thereagainst, were in progress which are expected to be completed by the end of May 2022. Further, the Company has entered into an underwriting agreement with a locally based underwriter to cover any shortfalls in the rights issue subscription. Management has also performed a detailed assessment of its going concern assumption and based on the business plan and cash flow projections, management believes that the Company will be able to continue business and meet its obligation as they fall due over the next twelve months. Management's assessment is based on a number of estimates and assumptions including successful subscription of the rights issue, expansion in business (gross written premiums growth), improvement of loss ratios and other cost saving measures. Accordingly, these interim condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

**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 at fair value of investments held as fair value through statement of income (FVSI) and available-for-sale investments (except where fair value cannot be measured reliably) and measurement of employees defined benefit obligations at present value using projected credit unit method. The Company's interim statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Investments, Deferred policy acquisition costs, Property and equipment, Intangible assets, Outstanding claims and Technical reserves. All other financial statement line items would generally be classified as current unless stated otherwise.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Financial Statements (continued)**  
**March 31, 2022**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**2 Basis of preparation (continued)**

**(a) Statement of compliance (continued)**

As required by the Saudi Arabian Insurance Regulations "SAMA Implementation Regulations", the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". SAMA Implementation Regulations require a clear segregation of assets, liabilities, income and expenses of the insurance and shareholders operations. Accordingly, assets, liabilities, revenues and expenses attributable to either operation are recorded in the respective accounts. Note 24 to these interim condensed financial statements provides the interim statements of financial position, income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

In preparing the Company's financial statements in compliance with IFRS as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealized gains and losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

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, except where otherwise stated.

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, 2021.

**(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 as a result 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 Company's annual financial statements for the year ended December 31, 2021 except as explained below:

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

The Company has adopted the following amendments to existing standards, which were issued by the IASB and are applicable from January 1, 2022:

**Standard / Amendments**  
*Amendments to IAS 37*

*Amendments to IFRS 3*  
*Amendments to IAS 16*

**Description**

*Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*  
*Reference to the Conceptual Framework*  
*Property, Plant and Equipment: Proceeds before Intended Use*

The adoption of the above amendments to standards did not have any significant impact on these interim condensed financial statements.

**WATANIYA INSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the Interim Condensed Financial Statements (continued)**  
**March 31, 2022**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**3 Significant accounting policies (continued)**

**3.2 Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

<b>Standard/ Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after the following date</b>
<i>IFRS 9</i>	<i>Financial Instruments</i>	<i>January 1, 2023</i>
<i>IFRS 17</i>	<i>Insurance Contracts</i>	<i>January 1, 2023</i>
<i>Amendments to IAS 1</i>	<i>Classification of Liabilities as Current or Non-current</i>	<i>January 1, 2023</i>
<i>Amendments to IAS 1 and IFRS Practice Statement 2</i>	<i>Disclosure of Accounting Policies</i>	<i>January 1, 2023</i>
<i>Amendments to IAS 8</i>	<i>Definition of Accounting Estimates</i>	<i>January 1, 2023</i>
<i>Amendments to IAS12</i>	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	<i>January 1, 2023</i>

**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:

**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.

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

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

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

###### **a) Classification and measurement (continued)**

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.

###### **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.

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

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

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

###### **Effective date (continued)**

The Company has performed a detailed assessment in 2019: (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 as its insurance liabilities exceed 90% of total liabilities. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of IFRS 17. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

###### **Impact assessment**

As at March 31, 2022, the Company has total financial assets and insurance related assets amounting to SAR 723 million (December 31, 2021: SAR 572 million) and SAR 572 million (December 31, 2021: SAR 524 million), respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents, deposits, held to maturity investments, premiums receivable – net, due from reinsurers - net and certain other receivables amounting to SAR 723 million (2021: SAR 572 million). Investments are carried currently at fair value through statement of income at SAR 105 million (December 31, 2021: SAR 166 million). Credit risk exposure, concentration of credit risk and credit quality of the company's receivables portfolio are mentioned in notes 6 and 7. However, the Company is yet to perform a detailed assessment to determine whether the debt securities meet the SPPI test as required by IFRS 9. The Company's financial assets have low credit risk as at March 31, 2022 and December 31, 2021. The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects some effect of applying the impairment requirements of IFRS 9. However, the impact of the same is not expected to be significant. As required by the SAMA the Company is in the process of performing its detailed review of the IFRS 9 impact on the 2021 financial statement, accordingly at present it is not possible to provide reasonable estimate of the effects of application of this new standard as at the date of these financial statements

##### **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:

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

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

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

##### **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.

##### **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;
- 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.



### 3 Significant accounting policies (continued)

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

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

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

##### Effective date

The IASB issued an Exposure Draft Amendments to IFRS 17 during June 2019 and received comments from various stakeholders. The IASB is currently re-deliberating issues raised by stakeholders. For any proposed amendments to IFRS 17, the IASB will follow its normal due process for standard-setting. The effective date of IFRS 17 and the deferral of 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:

Impact area	Summary of impact
Financial impact	A dry run was conducted on the financial statements as at December 31, 2020. The financial impact of applying requirements of IFRS 17 compared to IFRS 4 was not significant as most of the Company's insurance and reinsurance contracts are with terms of one year or less. As required by the Saudi Central Bank the company is in the process of preparing the December 31, 2021 financial statements under the requirements of IFRS 17.
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	Due to issues with the Oracle Financial Analyzer tool (OFSAA) the agreement has been terminated. A new software Addactic has been procured by the Company. This will be implemented by the Company's appointed actuary.
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 as most of the Company's reinsurance arrangements are with terms of one year or less. Accordingly, no material impact on reinsurance arrangements is expected.

**3 Significant accounting policies (continued)**

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

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

**Impact assessment (continued)**

<b>Impact area</b>	<b>Summary of impact</b>
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 requirement:</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 Financial Controller, 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:</p> <ol style="list-style-type: none"> <li>1- IFRS 17 overview to all stake holders</li> <li>2- PAA Measurement Model</li> <li>3- GMM Measurement Model</li> </ol> <p>Remaining sessions are planned to be completed in 2022.</p>

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

The Company has completed Phase 3 requirements of SAMA and has submitted its report on April 15, 2021. Feedback received has been incorporated in the Phase 3 documents. The Company has also hired an independent consultant to do a detailed review of the Phase 3 documentation and report their findings to the Audit Committee governance. The Company is now in the process of completing SAMA's Phase 4 requirements.

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**4 Cash and cash equivalents**

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Cash in hand	20	20
Bank balances	44,767	34,110
Deposits with original maturity of 3 months or less	63,000	8,000
<b>Total</b>	<b>107,787</b>	<b>42,130</b>

The bank balances and deposits are with banks, 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 0.7% to 1.80% per annum (December 31, 2021: 0.7% per annum).

**5 Short-term deposits**

Short-term deposits with original maturity exceeding 3 months are placed with commercial banks registered in Saudi Arabia and yield income at rates of 0.95% to 1.70% per annum (2021: 0.75% to 0.96% per annum).

**6 Premiums receivables – net**

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Receivable from policy holders	350,346	284,689
Impairment allowance for doubtful receivables	(36,998)	(35,163)
<b>Premiums receivable – net</b>	<b>313,348</b>	<b>249,526</b>

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

	<b>March 31, 2022 (Unaudited)</b>	December 31, 2021 (Audited)
Opening	35,163	40,775
Provision charged for the period / year	1,835	3,959
Write-offs	-	(9,571)
<b>Closing</b>	<b>36,998</b>	<b>35,163</b>

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**7 Due from reinsurers – net**

	<b>March 31, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Receivable from reinsurers	<b>46,155</b>	40,291
Impairment allowance for doubtful reinsurers receivables	<b>(1,136)</b>	(1,136)
	<b>45,019</b>	39,155

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

	<b>March 31, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Opening balance	<b>1,136</b>	1,000
Provision for the period / year	-	1,037
Write-offs	-	(901)
Closing balance	<b>1,136</b>	1,136

**8 Technical reserves**

**8.1 Net outstanding claims and reserves**

	<b>March 31, 2022 (Unaudited)</b>			<b>December 31, 2021 (Audited)</b>		
	<b>Gross</b>	<b>Reinsurer's share</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurer's share</b>	<b>Net</b>
Opening	<b>449,744</b>	<b>(311,561)</b>	<b>138,183</b>	743,439	(612,700)	130,739
Claims paid	<b>(117,782)</b>	<b>19,221</b>	<b>(98,561)</b>	(784,831)	406,215	(378,616)
Claims incurred	<b>126,999</b>	<b>(24,781)</b>	<b>102,218</b>	491,136	(105,076)	386,060
Closing	<b>458,961</b>	<b>(317,121)</b>	<b>141,840</b>	449,744	(311,561)	138,183
Outstanding claims	<b>387,217</b>	<b>(291,289)</b>	<b>95,928</b>	373,698	(280,924)	92,774
Claims incurred but not reported	<b>71,744</b>	<b>(25,832)</b>	<b>45,912</b>	76,046	(30,637)	45,409
	<b>458,961</b>	<b>(317,121)</b>	<b>141,840</b>	449,744	(311,561)	138,183
Premium deficiency reserve	<b>9,411</b>	-	<b>9,411</b>	10,696	-	10,696
Additional unexpired risk reserve	<b>1,648</b>	-	<b>1,648</b>	1,621	-	1,621
Unallocated loss adjustment expenses	<b>4,970</b>	-	<b>4,970</b>	4,863	-	4,863
	<b>474,990</b>	<b>(317,121)</b>	<b>157,869</b>	466,924	(311,561)	155,363

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**8 Technical reserves (continued)**

**8.2 Movement in unearned premiums**

Movement in unearned premiums comprise of the following:

<b>Three-month ended March 31, 2022</b>			
<b>(Unaudited)</b>			
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance at the beginning of the period	<b>392,680</b>	<b>(173,197)</b>	<b>219,483</b>
Premium written during the period	<b>267,734</b>	<b>(113,926)</b>	<b>153,808</b>
Premium earned during the period	<b>(209,234)</b>	<b>83,432</b>	<b>(125,802)</b>
Balance at the end of the period	<b>451,180</b>	<b>(203,691)</b>	<b>247,489</b>

  

<b>Year ended December 31, 2021</b>			
<b>(Audited)</b>			
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
Balance at the beginning of the year	329,632	(129,371)	200,261
Premium written during the year	902,100	(379,330)	522,770
Premium earned during the year	(839,052)	335,504	(503,548)
Balance at the end of the year	<u>392,680</u>	<u>(173,197)</u>	<u>219,483</u>

**9 Investments**

	<b>Note</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Fair value through statement of income investments (FVSI)	9.1	<b>104,567</b>	165,959
Held-to-maturity investments	9.2	<b>12,000</b>	12,000
Available-for-sale investment	9.3	<b>1,923</b>	1,923
		<b>118,490</b>	179,882

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

Movement in FVSI is as follows:

	<b>Three-month period ended March 31, 2022</b>	<b>Year ended December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>165,959</b>	162,029
Withdrawal during the period / year	<b>(62,000)</b>	-
Changes in fair value of investments during the period / year	<b>608</b>	3,930
Closing balance	<b>104,567</b>	165,959

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**

	<b>Note</b>	<b>Three-month period ended March 31, 2022 (Unaudited)</b>	<b>Year ended December 31, 2021 (Audited)</b>
Saudi Fransi Bank Sukuks	a	3,000	3,000
Saudi Real Estate Refinance Company Sukuks	b	9,000	9,000
<b>Total</b>		<b>12,000</b>	<b>12,000</b>

- 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 0.056 million during the period (March 31, 2021: SAR 0.034 million).
- b) These represent 5 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 2.11% per annum and 4 Sukuks at a face value of SAR 1 million per Sukuk with a coupon rate of 3.04% per annum. These Sukuks have a maturity duration of 7 years and 10 years, respectively. The Company has earned commission income of SAR 0.087 million during the period (March 31, 2021: Nil).

**9.3 Available-for-sale investment**

This represents the Company's 3.85% (December 31, 2021: 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 values cannot be ascertained reliably.

**9.4** All investments are from the shareholders' operations and are placed inside the Kingdom of Saudi Arabia

**10 Prepaid expense and other assets**

Prepaid expense and other assets are stated net of impairment allowance for salvage and subrogation of Nil (December 31, 2021: 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 the 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**

	<b>March 31, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
Reinsurance	156,177	110,787
Agents and brokers	39,343	28,114
Third party administrator	532	753
	<b>196,052</b>	<b>139,654</b>

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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, 2022	<b>3,873</b>	-	<b>3,873</b>
Provision for the current period	<b>558</b>	-	<b>558</b>
Payment during the period	<b>(3,647)</b>	-	<b>(3,647)</b>
March 31, 2022	<b>784</b>	-	<b>784</b>
	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
January 1, 2021	5,113	1,491	6,604
Provision for the current year	3,873	-	3,873
Other adjustments	113	16	129
Payments during the year	(5,016)	(1,054)	(6,070)
Payment for prior years	(210)	(453)	(663)
December 31, 2021	3,873	-	3,873

Zakat is payable at 2.58% 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 financial statements as the Company has incurred a taxable loss during the three-month period ended March 31, 2022 (March 31, 2021: no provision due to taxable loss).

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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>March 31, 2022 (Unaudited) %</b>	December 31, 2021 (Audited) %
<b>Zakat share in capital and profit</b>	<b>82.44</b>	76.24
<b>Income tax share in capital and profit</b>	<b>17.56</b>	23.76

**13.3 Status of assessments**

**Year ended December 31, 2011 and 2012**

The Tax and zakat position were finalized as the Higher Appeal Committee (HAC) ruled in favor of the Company.

**Year ended December 31, 2013**

The Tax and zakat position may be considered finalized under the Statute of Limitation.

**Year ended December 31, 2014 to 2018**

The ZATCA had issued assessments claiming additional taxes and Zakat amounting to SAR 0.82 million and SAR 0.29 million, respectively, which was duly accepted and settled by the Company. During 2019, the Company had received an assessment for the 2018 withholding tax liability in which the ZATCA had imposed additional taxes, including penalties aggregating to SAR 11.37 million. Management believes that the assessment raised is without merit and has 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 to assign the hearing session by the Committee for Resolution of Tax Violations and Disputes ("CRTVD"). On August 5, 2021 the CRTVD issued its summary decision in which CRTVD agreed with the ZATCA's revised assessments. On September 21, 2021, the Company received the decision from CRTVD where the revised withholding tax liability was assessed to SAR 9.75 million in addition to its penalties. The Company appealed against the CRTVD decision and escalated its objection to the Advanced Committee for Tax Violations and Dispute Resolution ("ACTVDR") and the Company is waiting to receive the ACRTVD decision. The management believes that the Company has a strong position and the Company's view should prevail.

**Year ended December 31, 2019 and 2020**

The ZATCA had issued assessment for the year ended December 31, 2019 and 2020 claiming additional tax amounting to SAR 0.45 million and additional zakat amounting to SAR 0.21 million, which was duly accepted and settled by the Company. Accordingly, the tax and zakat assessments for 2019 and 2020 have been finalized.

**Year ended December 31, 2021**

The Company has filed its tax returns of December 31, 2021 with the ZATCA and has a certificate valid till April 30, 2023.

**14 Share capital and loss per share**

The authorized, issued and paid up capital of the Company is SAR 200 million divided into 20 million shares of SAR 10 each (December 31, 2021: SAR 200 million divided into 20 million shares of SAR 10 each).

Loss per share for the period have been calculated by dividing the net loss for the period attributable to the shareholders by the weighted average number of ordinary shares at the statement of financial position date. Diluted loss per share is not applicable to the Company.



**15 Statutory reserve**

As required by the Implementing Regulations issued by SAMA, 20% of the net 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, if applicable

**16 Commitments and contingencies**

**16.1** The Company's bankers have issued payment guarantee of SAR 2.6 million (December 31, 2021: SR 2.41 million) to its suppliers on behalf of the Company.

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

**16.3** The Company is a defendant in a case that was filed by a client amounting to SAR 19 million (December 31, 2021: 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 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** During 2021, ZATCA issued various VAT assessments to the Company for approximately SAR 18 million which included VAT liabilities and penalties amounting to SAR 7.9 million and 10.1 million, respectively in respect of VAT Returns filed in 2018, 2019 and 2020. The assessments were issued primarily in connection with compensatory recovery amounts received by the Company relating to motor insurance claims from third parties.

ZATCA has asserted that these recoveries were related to supplies made by the Company and therefore subject to VAT at the prevailing rate. The Company has treated these recoveries as out of scope for VAT purposes. Management believes the ZATCA assessments are without merit and has filed objections against these assessment with ZATCA on December 23, 2021.

The 14 objections filed by the Company on the assessments issued by ZATCA in 2021 for SAR 18 million (VAT liabilities approximately SAR 7.9 million and penalties approximately SAR 10.1 million) were partially accepted by ZATCA for an amount of approximately SAR 1.5 million in VAT liabilities with corresponding reduction in penalties (ZATCA have yet to communicate the reduction in penalties).

Management decided to appeal the rejected amount and had filed 14 appeals and 14 settlement applications respectively to the General Secretariat of the Tax Committee and the Internal Settlement Committee on 21st April 2022. The Company had decided to simultaneously appeal the rejections by ZATCA (on the rejected amounts) and file the applications with the Internal Settlement Committee (ISC). The appeal process will be suspended when the ISC applications are filed. Should the decision from the ISC be unfavourable, the Company can then decide to proceed with the appeal process. This approach gives the Company more options to challenge the rejections by ZATCA.

Management believes the Company has a strong case and should ultimately prevail in the appeal process.

**16.5** The Company operates in the insurance industry and is subject to legal proceedings in the ordinary course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

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**17 Gross premiums written**

Class	Three-month period ended March 31, 2022					Total Gross premiums written
	Corporate					
	Very Small	Small	Medium	Large	Individual	
Motor	5,388	12,671	26,151	64,221	11,406	119,837
Property and accident	2,860	10,768	38,219	77,578	3,299	132,724
Protection and saving (term life)	101	1,172	3,750	10,150	-	15,173
Total	8,349	24,611	68,120	151,949	14,705	267,734

Class	Three-month period ended March 31, 2021					Total Gross premiums written
	Corporate					
	Very Small	Small	Medium	Large	Individual	
Motor	2,413	10,896	31,790	78,279	20,463	143,841
Property and accident	2,460	13,592	45,783	82,250	2,950	147,035
Protection and saving (term life)	88	416	3,782	13,261	-	17,547
Total	4,961	24,904	81,355	173,790	23,413	308,423

**18 Reinsurance premiums ceded**

	Three-month period ended March 31, 2022 (Unaudited)	Three-month period ended March 31, 2021 (Unaudited)
Local companies	1,283	8,582
Local brokers	82,983	93,685
International	24,697	26,945
	<b>108,963</b>	<b>129,212</b>

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

**19 Other underwriting expenses**

This includes VAT on reinsurance commission income of SAR 1.78 million (March 21, 2021: SAR 2.56 million) and Najm fee for motor insurance services of SAR 4.69 million (March 31, 2021: SAR 8.67 million).

**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.

**20 Fair values of financial instruments (continued)**

**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 March 31, 2022 and December 31, 2021, all financial instruments which are fair valued are Level 3 instruments except for investment in sukuks and equity amounting to SAR 25.47 million (December 31, 2021: SAR 28.18 million) and SAR 11.78 million (December 31, 2021: SAR 13.06 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.

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, 2021: 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 of Directors is measured in a manner consistent with that in the interim condensed statement of income. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2021.

Segment assets do not include cash and cash equivalents, short-term deposits, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, intangible assets, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policyholders payable, accrued expenses and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax payable 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 March 31, 2022 and December 31, 2021, its total revenues, expenses, and net income for the three-month period ended March 31, 2022 and March 31, 2021, are as follows:

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
<b>For the three-month period ended March 31, 2022(unaudited)</b>								
<b>Revenues</b>								
Gross premiums written	16,250	75,435	119,837	12,218	23,224	5,597	15,173	<b>267,734</b>
Reinsurance premiums ceded	(11,816)	(59,652)	(91)	(6,744)	(19,209)	(3,338)	(8,113)	<b>(108,963)</b>
Excess of loss expenses	(722)	(1,750)	(1,970)	(521)	-	-	-	<b>(4,963)</b>
<b>Net premiums written</b>	<b>3,712</b>	<b>14,033</b>	<b>117,776</b>	<b>4,953</b>	<b>4,015</b>	<b>2,259</b>	<b>7,060</b>	<b>153,808</b>
Change in unearned premiums	(3,738)	(37,605)	(10,566)	5,442	(5,965)	(1,561)	(4,507)	<b>(58,500)</b>
Change in reinsurers' share of unearned premiums	3,376	28,844	73	(8,216)	4,689	(101)	1,829	<b>30,494</b>
<b>Net premiums earned</b>	<b>3,350</b>	<b>5,272</b>	<b>107,283</b>	<b>2,179</b>	<b>2,739</b>	<b>597</b>	<b>4,382</b>	<b>125,802</b>
Reinsurance commissions	1,999	4,978	2	2,445	1,605	892	-	<b>11,921</b>
Other underwriting income	17	9	150	4	13	-	3	<b>196</b>
<b>Total revenues</b>	<b>5,366</b>	<b>10,259</b>	<b>107,435</b>	<b>4,628</b>	<b>4,357</b>	<b>1,489</b>	<b>4,385</b>	<b>137,919</b>
<b>Cost and expenses</b>								
Gross claims paid and loss adjustment expenses, net of recoveries	2,599	5,891	98,616	821	2,433	963	6,459	<b>117,782</b>
Reinsurer's share of claims paid	(1,769)	(4,550)	(3,872)	(677)	(2,137)	(961)	(5,255)	<b>(19,221)</b>
<b>Net claims paid</b>	<b>830</b>	<b>1,341</b>	<b>94,744</b>	<b>144</b>	<b>296</b>	<b>2</b>	<b>1,204</b>	<b>98,561</b>
Changes in outstanding claims	35	12,593	2,679	1,326	(1,775)	42	(1,381)	<b>13,519</b>
Changes in reinsurers' share of outstanding claims	(98)	(11,975)	(10)	(901)	1,461	(42)	1,200	<b>(10,365)</b>
Changes in claims incurred but not reported	(149)	(712)	394	(2,774)	(69)	-	(992)	<b>(4,302)</b>
Changes in reinsurers' share of claims incurred but not reported	78	827	90	2,822	194	-	794	<b>4,805</b>
<b>Net claims incurred</b>	<b>696</b>	<b>2,074</b>	<b>97,897</b>	<b>617</b>	<b>107</b>	<b>2</b>	<b>825</b>	<b>102,218</b>
Premium deficiency reserve	-	-	(1,285)	-	-	-	-	<b>(1,285)</b>
Additional unexpired risk reserve	-	-	-	(162)	189	-	-	<b>27</b>
Unallocated loss adjustment expense provision	35	31	52	(14)	37	-	(34)	<b>107</b>
Policy acquisition costs	1,284	3,190	7,369	2,704	1,594	1,032	1,300	<b>18,473</b>
Other underwriting expenses	300	746	4,695	367	228	134	-	<b>6,470</b>
<b>Total underwriting cost and expenses</b>	<b>2,315</b>	<b>6,041</b>	<b>108,728</b>	<b>3,512</b>	<b>2,155</b>	<b>1,168</b>	<b>2,091</b>	<b>126,010</b>
<b>Net underwriting income (loss)</b>	<b>3,051</b>	<b>4,218</b>	<b>(1,293)</b>	<b>1,116</b>	<b>2,202</b>	<b>321</b>	<b>2,294</b>	<b>11,909</b>
<b>Other operating (expenses) / income</b>								
Allowance for impairment of doubtful premiums, reinsurers' and other receivables								<b>(1,835)</b>
General and administration Expenses								<b>(35,504)</b>
Commission income on deposits								<b>587</b>
Unrealized gain on investments								<b>608</b>
Other investment income								<b>143</b>
Other income								<b>-</b>
<b>Total other operating expenses, net</b>								<b>(36,001)</b>
<b>Net loss for the period attributable to the shareholders, before zakat and income tax</b>								<b>(24,092)</b>
Zakat								<b>(558)</b>
<b>Net loss for the period</b>								<b>(24,650)</b>

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**21 Operating segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
For the three-month period ended March 31, 2021 (unaudited)								
<b>Revenues</b>								
Gross premiums written	13,247	73,518	143,841	32,243	21,844	6,183	17,547	308,423
Reinsurance premiums ceded	(8,822)	(61,646)	38	(26,908)	(17,986)	(4,675)	(9,213)	(129,212)
Excess of loss expenses	(897)	(922)	(1,917)	(495)	-	-	-	(4,231)
<b>Net premiums written</b>	<b>3,528</b>	<b>10,950</b>	<b>141,962</b>	<b>4,840</b>	<b>3,858</b>	<b>1,508</b>	<b>8,334</b>	<b>174,980</b>
Change in unearned premiums	(2,585)	(41,579)	(37,720)	(18,456)	(9,328)	(3,643)	(7,619)	(120,930)
Change in reinsurers' share of unearned premiums	686	33,403	(974)	14,771	7,276	2,161	3,771	61,094
<b>Net premiums earned</b>	<b>1,629</b>	<b>2,774</b>	<b>103,268</b>	<b>1,155</b>	<b>1,806</b>	<b>25</b>	<b>4,487</b>	<b>115,144</b>
Reinsurance commissions	2,081	4,939	144	2,151	1,921	872	101	12,209
Other underwriting income	21	9	78	4	12	-	3	127
<b>Total revenues</b>	<b>3,731</b>	<b>7,722</b>	<b>103,490</b>	<b>3,310</b>	<b>3,739</b>	<b>897</b>	<b>4,591</b>	<b>127,480</b>
<b>Cost and expenses</b>								
Gross claims paid and loss adjustment expenses, net of recoveries	1,695	14,828	75,192	7,780	241	1,282	10,767	111,785
Reinsurer's share of claims paid	(1,188)	(12,724)	(1,118)	(7,109)	(29)	(1,282)	(8,792)	(32,242)
<b>Net claims paid</b>	<b>507</b>	<b>2,104</b>	<b>74,074</b>	<b>671</b>	<b>212</b>	<b>-</b>	<b>1,975</b>	<b>79,543</b>
Changes in outstanding claims	8,919	8,881	8,557	(5,335)	2,757	-	1,168	24,947
Changes in reinsurers' share of outstanding claims	(8,189)	(7,616)	211	4,695	(3,012)	-	(1,220)	(15,131)
Changes in claims incurred but not reported	425	727	(1,831)	(412)	271	-	(3,919)	(4,739)
Changes in reinsurers' share of claims incurred but not reported	(460)	(708)	747	478	(553)	-	3,136	2,640
<b>Net claims incurred</b>	<b>1,202</b>	<b>3,388</b>	<b>81,758</b>	<b>97</b>	<b>(325)</b>	<b>-</b>	<b>1,140</b>	<b>87,260</b>
Changes in premium deficiency reserve	-	-	(957)	-	-	-	-	(957)
Changes in additional unexpired risk reserve	-	-	-	408	-	-	-	408
Changes in unallocated loss Adjustment expense provision	154	(14)	73	(154)	9	-	(66)	2
Policy acquisition costs	1,068	2,745	6,684	1,431	1,185	641	1,158	14,912
Other underwriting expenses	302	1,301	8,666	387	397	179	-	11,232
<b>Total underwriting cost and Expenses</b>	<b>2,726</b>	<b>7,420</b>	<b>96,224</b>	<b>2,169</b>	<b>1,266</b>	<b>820</b>	<b>2,232</b>	<b>112,857</b>
<b>Net underwriting income</b>	<b>1,005</b>	<b>302</b>	<b>7,266</b>	<b>1,141</b>	<b>2,473</b>	<b>77</b>	<b>2,359</b>	<b>14,623</b>
<b>Other operating (expenses) / income</b>								
Allowance for impairment of doubtful premiums, reinsurers' and other receivables								(292)
General and administration expenses								(34,969)
Commission income on deposits								344
Unrealized gain on investments								1,548
Other investment income								34
Other income								221
<b>Total other operating expenses, net</b>								<b>(33,114)</b>
<b>Net loss for the period attributable to the shareholders, before zakat</b>								<b>(18,491)</b>
Zakat								<b>(800)</b>
<b>Net loss for the period</b>								<b>(19,291)</b>

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**21 Operating Segments (continued)**

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
<b>As at March 31, 2022</b> <b>(Unaudited)</b>								
<b>Assets</b>								
Reinsurers' share of unearned Premiums	13,140	65,391	73	42,626	32,537	42,358	7,566	<b>203,691</b>
Reinsurers' share of outstanding claims	13,266	97,144	144	64,253	110,154	51	6,277	<b>291,289</b>
Reinsurers' share of claims incurred but not reported	413	9,821	524	1,120	11,036	-	2,918	<b>25,832</b>
Deferred policy acquisition costs	1,685	6,401	15,231	5,075	3,464	12,769	1,725	<b>46,350</b>
Unallocated assets								<b>920,420</b>
<b>Total assets</b>								<b>1,487,582</b>
<b>Liabilities</b>								
Unearned premiums	17,860	81,953	198,981	49,630	37,923	50,655	14,178	<b>451,180</b>
Unearned reinsurance commission	2,407	11,885	7	6454	3,973	10,190	-	<b>34,916</b>
Outstanding claims	16,721	105,250	79,560	66,369	111,800	51	7,466	<b>387,217</b>
Claims incurred but not Reported	478	10,760	42,714	1,297	12,848	-	3,647	<b>71,744</b>
Premium deficiency reserve	-	-	9,411	-	-	-	-	<b>9,411</b>
Additional unexpired risk Reserve	-	-	-	680	968	-	-	<b>1,648</b>
Unallocated loss adjustment expense provision	353	774	2,475	227	1,011	-	130	<b>4,970</b>
Unallocated liabilities								<b>340,329</b>
<b>Total liabilities</b>								<b>1,301,415</b>
<b>As at December 31, 2021</b> <b>(Audited)</b>								
<b>Assets</b>								
Reinsurers' share of unearned premiums	9,763	36,547	-	50,842	27,849	42,458	5,738	<b>173,197</b>
Reinsurers' share of outstanding claims	13,168	85,169	134	63,352	111,615	9	7,477	<b>280,924</b>
Reinsurers' share of claims incurred but not reported	491	10,648	615	3,943	11,229	-	3,711	<b>30,637</b>
Deferred policy acquisition Costs	1,504	4,460	10,599	6,051	2,573	12,473	1,130	<b>38,790</b>
Unallocated assets								<b>823,689</b>
<b>Total assets</b>								<b>1,347,237</b>
<b>Liabilities</b>								
Unearned premiums	14,123	44,348	188,415	55,072	31,958	49,093	9,671	<b>392,680</b>
Unearned reinsurance commission	2,003	5,063	-	8,310	2,743	11,081	-	<b>29,200</b>
Outstanding claims	16,685	92,657	76,882	65,043	113,575	9	8,847	<b>373,698</b>
Claims incurred but not Reported	627	11,471	42,320	4,072	12,917	-	4,639	<b>76,046</b>
Premium deficiency reserve			10,696					<b>10,696</b>
Additional unexpired risk reserve	-	-	-	842	779	-	-	<b>1,621</b>
Unallocated loss adjustment expense provision	317	743	2,423	242	975	-	163	<b>4,863</b>
Unallocated liabilities								<b>247,238</b>
<b>Total liabilities</b>								<b>1,136,042</b>

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**22 Related party matters**

**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 agreed terms with those related parties 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 March 31, 2022 (Unaudited)</b>	<b>Three-month period ended March 31, 2021 (Unaudited)</b>
Board members	- Fees and related expenses	<b>1,438</b>	1,433
Key management personnel	- Remuneration and related expenses	<b>2,755</b>	2,728
	- Long term employee benefits accrued	<b>132</b>	178
<b>Major shareholders</b>	- Gross premium written	<b>767</b>	988
	- Claims paid	<b>112</b>	18
	- Facultative premiums ceded	<b>922</b>	967
	- Facultative claims recovered	<b>59</b>	6
	- Facultative commission received	<b>1</b>	94
	- Expenses incurred	<b>1,361</b>	1,192
	- Commission income on		
	- Deposits	<b>-</b>	231
<b>Entities controlled, jointly controlled or significantly influenced by major shareholders</b>			
	- Gross premium written	<b>22,813</b>	16,800
	- Claims paid	<b>3,617</b>	2,378
	- Expenses incurred	<b>347</b>	361

**22.2 Related party balances**

	<b>March 31, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
<b>Major shareholders</b>		
Premium's receivable	<b>373</b>	32
Claims payable	<b>11</b>	12
Amounts due to facultative transactions	<b>950</b>	523
Amount due to a related party for expenses	<b>2,690</b>	-
<b>Entities controlled, jointly controlled, or significantly influenced by major shareholders Other related parties</b>		
Premium's receivable	<b>14,920</b>	7,957
Claims payable	<b>2,158</b>	1,652
Amount due to a related party for expenses	<b>-</b>	2
Employee benefits payable to key management personnel	<b>2,501</b>	2,890
Advances due from key management personnel	<b>162</b>	284



## **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.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings. 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's solvency margin as at March 31, 2022 remained below the minimum solvency requirements set by SAMA. The Company received a letter from SAMA on September 13, 2021 requiring the Company to work on adjusting the solvency margin to become at least 100%, and another letter from SAMA on December 1, 2021 to submit its rectification measures according to Article 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law. The Company has submitted its rectification plan to improve and sustain the solvency margin. Management is at present taking following active steps to restore solvency to the minimum level:

- Increasing the share capital by issuing rights issue of Saudi Riyals 200 million;
- Increasing the revenue by offering new products and expanding into the current lines of business;
- Reduction in loss making businesses and non-renewal of loss making clients;
- Controlling the loss ratios across different lines of business; and
- Cost reduction measures with focus on automation and digitalization.

Also, see Note 1 for further details.

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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**

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>ASSETS</b>						
Cash and cash equivalents	42,557	65,230	107,787	33,864	8,266	42,130
Short-term deposits	211,369	-	211,369	191,369	-	191,369
Premiums receivable – net	313,348	-	313,348	249,526	-	249,526
Due from reinsurers – net	45,019	-	45,019	39,155	-	39,155
Reinsurers' share of unearned premiums	203,691	-	203,691	173,197	-	173,197
Reinsurers' share of outstanding claims	291,289	-	291,289	280,924	-	280,924
Reinsurers' share of claims Incurred but not reported	25,832	-	25,832	30,637	-	30,637
Deferred policy acquisition costs	46,350	-	46,350	38,790	-	38,790
Investments	-	118,490	118,490	-	179,882	179,882
Prepaid expenses and other assets	37,826	2,871	40,697	36,180	2,313	38,493
Due from shareholders' / Insurance operations	80,165	-	80,165	56,427	-	56,427
Property and equipment	-	18,936	18,936	-	17,403	17,403
Intangible assets	-	43,129	43,129	-	44,139	44,139
Statutory deposit	-	20,000	20,000	-	20,000	20,000
Accrued income on statutory deposit	-	1,645	1,645	-	1,592	1,592
<b>TOTAL OPERATIONS' ASSETS</b>	<b>1,297,446</b>	<b>270,301</b>	<b>1,567,747</b>	<b>1,130,069</b>	<b>273,595</b>	<b>1,403,664</b>
Less: Inter-operations eliminations	(80,165)	-	(80,165)	(56,427)	-	(56,427)
<b>TOTAL ASSETS AS PER INTERIM STATEMENT OF FINANCIAL POSITION</b>	<b>1,217,281</b>	<b>270,301</b>	<b>1,487,582</b>	<b>1,073,642</b>	<b>273,595</b>	<b>1,347,237</b>

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**24 Supplementary information (continued)**

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

	March 31, 2022 (Unaudited)			December 31, 2021 (Audited)		
	Insurance operations	Share-holders' operations	Total	Insurance operations	Share-holders' operations	Total
<b>LIABILITIES</b>						
Policyholders payable	41,004	-	41,004	29,961	-	29,961
Accrued expenses and other liabilities	99,304	1,540	100,844	71,650	508	72,158
Due to insurance/shareholders' operations	-	80,165	80,165	-	56,427	56,427
Due to reinsurers, agents, brokers and third-party administrator	196,052	-	196,052	139,654	-	139,654
Unearned premiums	451,180	-	451,180	392,680	-	392,680
Unearned reinsurance commission	34,916	-	34,916	29,200	-	29,200
Outstanding claims	387,217	-	387,217	373,698	-	373,698
Claims incurred but not reported	71,744	-	71,744	76,046	-	76,046
Premium deficiency reserve	9,411	-	9,411	10,696	-	10,696
Additional unexpired risk reserve	1,648	-	1,648	1,621	-	1,621
Unallocated loss adjustment expense provision	4,970	-	4,970	4,863	-	4,863
Surplus distribution payable	-	-	-	-	-	-
Zakat and income tax payable	-	784	784	-	3,873	3,873
Accrued income on statutory deposit	-	1,645	1,645	-	1,592	1,592
<b>TOTAL OPERATIONS' LIABILITIES</b>	<b>1,297,446</b>	<b>84,134</b>	<b>1,381,580</b>	<b>1,130,069</b>	<b>62,400</b>	<b>1,192,469</b>
Less: Inter-operations eliminations	-	(80,165)	(80,165)	-	(56,427)	(56,427)
<b>TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION</b>	<b>1,297,446</b>	<b>3,969</b>	<b>1,301,415</b>	<b>1,130,069</b>	<b>5,973</b>	<b>1,136,042</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
Accumulated losses	-	(29,187)	(29,187)	-	(4,159)	(4,159)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>186,167</b>	<b>186,167</b>	<b>-</b>	<b>211,195</b>	<b>211,195</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,297,446</b>	<b>190,136</b>	<b>1,487,582</b>	<b>1,130,069</b>	<b>217,168</b>	<b>1,347,237</b>

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**24 Supplementary information (continued)**

**b) Interim statement of income**

	Three-month period ended March 31, 2022 (Unaudited)			Three-month period ended March 31, 2021 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b>REVENUES</b>						
Gross premiums written	267,734	-	267,734	308,423	-	308,423
Reinsurance premiums ceded	(108,963)	-	(108,963)	(129,212)	-	(129,212)
Excess of loss expenses	(4,963)	-	(4,963)	(4,231)	-	(4,231)
<b>Net premiums written</b>	<b>153,808</b>	<b>-</b>	<b>153,808</b>	<b>174,980</b>	<b>-</b>	<b>174,980</b>
Changes in unearned premiums	(58,500)	-	(58,500)	(120,930)	-	(120,930)
Changes in reinsurers' s share of unearned premiums	30,494	-	30,494	61,094	-	61,094
<b>Net premiums earned</b>	<b>125,802</b>	<b>-</b>	<b>125,802</b>	<b>115,144</b>	<b>-</b>	<b>115,144</b>
Reinsurance commissions	11,921	-	11,921	12,209	-	12,209
Other underwriting income	196	-	196	127	-	127
<b>TOTAL REVENUES</b>	<b>137,919</b>	<b>-</b>	<b>137,919</b>	<b>127,480</b>	<b>-</b>	<b>127,480</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid and loss adjustment expenses, net of recoveries	117,782	-	117,782	111,785	-	111,785
Reinsurers' share of claims paid	(19,221)	-	(19,221)	(32,242)	-	(32,242)
<b>Net claims paid</b>	<b>98,561</b>	<b>-</b>	<b>98,561</b>	<b>79,543</b>	<b>-</b>	<b>79,543</b>
Changes in outstanding claims	13,519	-	13,519	24,947	-	24,947
Changes in reinsurers' share of outstanding claims	(10,365)	-	(10,365)	(15,131)	-	(15,131)
Changes in claims incurred but not reported	(4,302)	-	(4,302)	(4,739)	-	(4,739)
Changes in reinsurers' share of claims incurred but not reported	4,805	-	4,805	2,640	-	2,640
<b>Net claims incurred</b>	<b>102,218</b>	<b>-</b>	<b>102,218</b>	<b>87,260</b>	<b>-</b>	<b>87,260</b>
Premium deficiency reserve	(1,285)	-	(1,285)	(957)	-	(957)
Additional unexpired risk reserve	27	-	27	408	-	408
Unallocated loss adjustment expense provision	107	-	107	2	-	2
Policy acquisition costs	18,473	-	18,473	14,912	-	14,912
Other underwriting expenses	6,470	-	6,470	11,232	-	11,232
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>126,010</b>	<b>-</b>	<b>126,010</b>	<b>112,857</b>	<b>-</b>	<b>112,857</b>
<b>NET UNDERWRITING INCOME</b>	<b>11,909</b>	<b>-</b>	<b>11,909</b>	<b>14,623</b>	<b>-</b>	<b>14,623</b>

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**24 Supplementary information (continued)**

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

	Three-month period ended March 31, 2022 (Unaudited)			Three-month period ended March 31, 2021 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
<b>OTHER OPERATING (EXPENSES) / INCOME</b>						
Allowance for impairment of doubtful premiums, reinsurers' and other receivables	(1,835)	-	(1,835)	(292)	-	(292)
General and administration expenses	(31,426)	(4,078)	(35,504)	(31,438)	(3,531)	(34,969)
Commission income on deposits	487	100	587	330	14	344
Unrealized gain on investments	-	608	608	-	1,548	1,548
Other investment income	-	143	143	-	34	34
Other income	-	-	-	221	-	221
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>(32,774)</b>	<b>(3,227)</b>	<b>(36,001)</b>	<b>(31,179)</b>	<b>(1,935)</b>	<b>(33,114)</b>
<b>NET DEFICIT FROM INSURANCE OPERATIONS</b>	<b>(20,865)</b>	<b>-</b>	<b>(20,865)</b>	<b>(16,556)</b>	<b>-</b>	<b>(16,556)</b>
Deficit transferred to shareholders operations	20,865	(20,865)	-	16,556	(16,556)	-
<b>Loss before zakat and income tax</b>	<b>-</b>	<b>(24,092)</b>	<b>(24,092)</b>	<b>-</b>	<b>(18,491)</b>	<b>(18,491)</b>
Zakat	-	(558)	(558)	-	(800)	(800)
<b>Net loss for the period</b>	<b>-</b>	<b>(24,650)</b>	<b>(24,650)</b>	<b>-</b>	<b>(19,291)</b>	<b>(19,291)</b>
<b>Loss per share (expressed in SAR per share)</b>	<b>-</b>	<b>(1.23)</b>	<b>-</b>	<b>-</b>	<b>(0.96)</b>	<b>-</b>

**c) Interim statement of comprehensive income**

	Three-month period ended March 31, 2022 (Unaudited)			Three-month period ended March 31, 2021 (Unaudited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
Net loss for the period	-	(24,650)	(24,650)	-	(19,291)	(19,291)
<b>Other comprehensive loss</b>						
<i>Items that will not be reclassified to statements of income in subsequent years</i>						
Actuarial losses on defined benefit obligation	-	(20)	(20)	-	(309)	(309)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>-</b>	<b>(24,670)</b>	<b>(24,670)</b>	<b>-</b>	<b>(19,600)</b>	<b>(19,600)</b>

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**24 Supplementary information (continued)**

**d) Interim statement of cash flows**

	Three-month period ended March 31, 2022 (Unaudited)			Three-month period ended March 31, 2021 (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net loss for the period attributable to shareholders before zakat	-	(24,092)	(24,092)	-	(18,491)	(18,491)
<b>Adjustments for non-cash items:</b>						
Depreciation and amortisation of property, equipment and intangibles	-	2,005	2,005	-	1,661	1,661
Shareholder share of deficit from insurance operations	(20,865)	20,865	-	(16,555)	16,555	-
Allowance for impairment of doubtful premiums, reinsurers' and other receivables	1,835	-	1,835	292	-	292
Unrealized gain on Investments	-	(608)	(608)	-	(1,548)	(1,548)
Other investment income	-	(143)	(143)	-	(34)	(34)
Provision for employee benefits Obligation	781	-	781	776	-	776
Commission income deposits	(487)	(100)	(587)	(330)	(14)	(344)
	(18,736)	(2,073)	(20,809)	(15,817)	(1,871)	(17,688)
<b>Changes in operating assets and liabilities:</b>						
Premiums receivable	(65,657)	-	(65,657)	(133,423)	-	(133,423)
Reinsurers' share of unearned premiums	(30,494)	-	(30,494)	(61,094)	-	(61,094)
Reinsurers' share of outstanding Claims	(10,365)	-	(10,365)	(15,131)	-	(15,131)
Reinsurers' share of claims Incurred but not reported	4,805	-	4,805	2,640	-	2,640
Deferred policy acquisition costs	(7,560)	-	(7,560)	(12,577)	-	(12,577)
Due from reinsurers	(5,864)	-	(5,864)	33,040	-	33,040

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**24 Supplementary information (continued)**

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

	Three-month period ended March 31, 2022 (Unaudited)			Three-month period ended March 31, 2021 (Unaudited)		
	Insurance operation	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Prepaid expenses and other assets	(1,458)	(853)	(2,311)	(2,461)	(261)	(2,722)
Policyholders claims payable	11,043	-	11,043	10,981	-	10,981
Accrued expenses and other liabilities	27,358	1,032	28,390	25,311	929	26,240
Due to reinsurers, agents, brokers and third-party administrators	56,398	-	56,398	39,138	-	39,138
Unearned premiums	58,500	-	58,500	120,930	-	120,930
Unearned reinsurance commission	5,716	-	5,716	4,955	-	4,955
Outstanding claims	13,519	-	13,519	24,947	-	24,947
Claims incurred but not reported	(4,302)	-	(4,302)	(4,739)	-	(4,739)
Premium deficiency reserve	(1,285)	-	(1,285)	(957)	-	(957)
Additional unexpired risk reserve	27	-	27	408	-	408
Due to shareholder operations	(2,853)	2,853	-	(21,600)	21,600	-
Unallocated loss adjustment expense provision	107	-	107	2	-	2
<b>Zakat and income tax paid</b>	-	(3,647)	(3,647)	-	-	-
<b>Payment of employee benefits obligation</b>	(505)	-	(505)	(209)	-	(209)
<b>Net cash (used in) / generated from operating activities</b>	<b>28,394</b>	<b>(2,688)</b>	<b>25,706</b>	<b>(5,656)</b>	<b>20,397</b>	<b>14,741</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>						
Additions to property and equipment	-	(2,528)	(2,528)	-	(188)	(188)
Additions intangible assets	-	-	-	-	(1,426)	(1,426)
Additions to investments	-	-	-	-	(5,000)	(5,000)
Other investment income	-	143	143	-	34	34
Proceeds from Investments	-	62,000	62,000	-	-	-
Placements in short-term deposits	(211,369)	-	(211,369)	-	-	-
Proceeds from short term deposits	191,369	-	191,369	-	-	-
Income received from short term deposits	299	37	336	60	21	81
<b>Net cash (used in) / generated from investing activities</b>	<b>(19,701)</b>	<b>59,652</b>	<b>39,951</b>	<b>60</b>	<b>(6,559)</b>	<b>(6,499)</b>
<b>Net change in cash and cash equivalents</b>	<b>8,693</b>	<b>56,964</b>	<b>65,657</b>	<b>(5,596)</b>	<b>13,838</b>	<b>8,242</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>33,864</b>	<b>8,266</b>	<b>42,130</b>	<b>66,930</b>	<b>13,803</b>	<b>80,733</b>
<b>Cash and cash equivalents, end of the period</b>	<b>42,557</b>	<b>65,230</b>	<b>107,787</b>	<b>61,334</b>	<b>27,641</b>	<b>88,975</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH INFORMATION</b>						
Actuarial losses on defined obligation adjusted against accrued expenses and other liabilities	(20)	-	(20)	-	(309)	(309)

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**24 Supplementary information (continued)**

- e) 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**

In response to the outbreak of novel coronavirus ("Covid-19 pandemic") and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA over the last two years, hence management continues to proactively assess its impact on the Company's operations.

Globally, there has been significant drop in the number of registered cases including the KSA. As a result, restrictions related to Covid-19 pandemic such as social distancing, travel bans, requirement for travellers to present a negative PCR or rapid antigen test on arrival test have been lifted. Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Company's reported financial results for the period ended 31 March 2022 including the significant accounting judgements, estimates and assumptions. The Company continues to monitor the Covid-19 pandemic situation closely although at this time management is not aware of any factors that are expected to change the impact of the Covid-19 pandemic on the Company's operations during 2022 or beyond.

**26 Comparative figures**

Following comparative figures have been reclassified and regrouped on the face of interim statement of income to confirm to the current period presentation:

<b>For the Three months period ended March 31, 2022 Reported as previously</b>	<b>Restatement</b>	<b>Restated amount</b>
Changes in unearned premiums	(59,836)	(61,094)
Changes in reinsurers' share of unearned premiums	-	61,094
Changes in outstanding claims	9,816	15,131
Changes in reinsurance share of outstanding claims	-	(15,131)
Changes in claims incurred but not reported	(2,099)	(2,640)
Changes in reinsurance share of claims incurred but not reported	-	2,640

Such reclassification restatements have not resulted in any additional impact on equity, income, or total comprehensive income for comparative period.

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

These interim condensed financial statements have been approved by the Board of Directors on May 12, 2022G corresponding to Shawwal 11, 1443H.