

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019**

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Unaudited Interim Condensed Financial Statements
For the three-month period ended March 31, 2019

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**INDEPENDENT AUDITORS' REVIEW REPORT ON THE
INTERIM CONDENSED FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Wataniya Insurance Company - a Saudi Joint Stock Company (the "Company") as at March 31, 2019 and the related interim condensed statements of income, comprehensive income, changes in shareholders' equity, cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. 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 condensed financial statements 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as modified by SAMA for the accounting of zakat and income tax.

for Ernst & Young & Co.

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7 Ramadan 1440H
12 May 2019
Jeddah, Saudi Arabia



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

		March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	302,955	324,060
Premiums receivable – net	5	319,073	192,465
Due from reinsurers – net	6	32,451	13,240
Reinsurers' share of unearned premiums	7	152,478	104,039
Reinsurers' share of outstanding claims	7	150,882	159,448
Reinsurers' share of claims incurred but not reported	7	65,163	78,880
Deferred policy acquisition costs		32,392	24,279
Investments	8	108,515	106,927
Prepaid expenses and other assets	9	58,742	41,840
Property and equipment		9,352	9,976
Statutory deposit	10	20,000	20,000
Accrued income on statutory deposit	10	970	848
TOTAL ASSETS		1,252,973	1,076,002
<u>LIABILITIES</u>			
Policyholders claims payable		32,523	29,938
Accrued and other liabilities		60,608	56,663
Due to reinsurers, agents, brokers and third party administrators		156,283	68,418
Unearned premiums	7	347,878	253,354
Unearned reinsurance commission		37,982	29,443
Outstanding claims	7	235,166	244,263
Claims incurred but not reported	7	103,012	114,013
Premium deficiency reserve	7	17,114	23,221
Additional unexpired risk reserve	7	399	385
Unallocated loss adjustment expense provision	7	3,310	3,507
Surplus distribution payable		3,140	5,069
Zakat and income tax payable	11	9,529	7,305
Accrued income on statutory deposit	10	970	848
TOTAL LIABILITIES		1,007,914	836,427
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	12	200,000	200,000
Statutory reserve	13	10,099	10,099
Retained earnings		34,960	29,476
TOTAL SHAREHOLDERS' EQUITY		245,059	239,575
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,252,973	1,076,002
COMMITMENTS AND CONTINGENCIES	14	2,100	1,900




S. F Abbas

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

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

		Three-month period ended March 31, 2019 (Unaudited)	Three-month period ended March 31, 2018 (Unaudited)
	Note		
REVENUES			
Gross premiums written	15	270,903	268,111
Reinsurance premiums ceded	16	(120,865)	(123,911)
Excess of loss expenses	16	(3,968)	(1,836)
Net premiums written		146,070	142,364
Changes in unearned premium, net		(46,085)	(67,004)
Net premiums earned		99,985	75,360
Reinsurance commissions		19,313	20,833
Other underwriting income		211	144
TOTAL REVENUES		119,509	96,337
COST AND EXPENSES			
Gross claims paid and loss adjustment expenses		103,285	64,733
Reinsurers' share of claims paid		(25,646)	(22,932)
Net claims paid		77,639	41,801
Changes in outstanding claims, net		(531)	4,404
Changes in incurred but not reported claims, net		2,716	(2,244)
Net claims incurred		79,824	43,961
Reversal of reinsurance reserves		-	(3,597)
Premium deficiency reserve		(6,107)	3,329
Additional unexpired risk reserve		14	3,027
Unallocated loss adjustment expense provision		(197)	2,127
Policy acquisition costs		15,922	17,826
TOTAL UNDERWRITING COST AND EXPENSES		89,456	66,673
NET UNDERWRITING INCOME		30,053	29,664
OTHER OPERATING (EXPENSES) / INCOME			
(Allowance for) / reversal of impairment of doubtful debts		(6,865)	3,189
General and administrative expenses		(25,393)	(21,780)
Commission income on deposits		1,715	821
Unrealized gain on investments		1,588	25
Other income		6,825	6,763
TOTAL OTHER OPERATING EXPENSES		(22,130)	(10,982)
Net income for the period		7,923	18,682
Net income attributed to the policy holders		(786)	(2,032)
Net income for the period attributable to the shareholders		7,137	16,650
Earnings per share (expressed in SAR per share)	12	0.36	0.83



S. F Abbas

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

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

	Three-month period ended March 31, 2019 (Unaudited)	Three-month period ended March 31, 2018 (Unaudited)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	7,137	16,650
Other comprehensive income		
<i>Items that will not be reclassified to statement of income in subsequent years</i>		
Actuarial losses on defined benefit obligation	(171)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,966	16,650


 S. F. Abbass

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

	<i>For the three-month period ended March 31, 2019</i>			
	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at beginning of the period	200,000	10,099	29,476	239,575
Net income for the period attributable to shareholders	-	-	7,137	7,137
Actuarial Losses on defined benefit obligation	-	-	(171)	(171)
Total comprehensive income for the period attributable to shareholders	-	-	6,966	6,966
Zakat charge	-	-	(1,482)	(1,482)
Income tax charge	-	-	(742)	(742)
Income tax recoverable from foreign shareholders	-	-	742	742
Balance at end of the period	200,000	10,099	34,960	245,059

	<i>For the three-month period ended March 31, 2018</i>			
	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at beginning of the period	200,000	6,012	19,347	225,359
Net income for the period attributable to shareholders	-	-	16,650	16,650
Total comprehensive income for the period	-	-	-	-
Total comprehensive income for the period attributable to shareholders	-	-	16,650	16,650
Zakat and income tax charge	-	-	(1,273) (726)	(1,273) (726)
Income tax recoverable from foreign shareholders	-	-	726	726
Balance at end of the period	200,000	6,012	34,724	240,736


 S. F. Abbas

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

	Three-month period ended March 31, 2019 (Unaudited)	Three-month period ended March 31, 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period attributable to shareholders	7,137	16,650
Adjustments for non-cash items:		
Income attributable to insurance operations	786	2,032
Depreciation of property and equipment	690	479
Allowance for impairment allowance for doubtful receivables	6,865	(3,189)
Unrealized gain on investments	(1,588)	(25)
	<u>13,890</u>	<u>15,947</u>
Changes in operating assets and liabilities:		
Premiums receivable	(130,681)	(133,605)
Reinsurers' share of unearned premiums	(48,439)	(50,112)
Reinsurers' share of outstanding claims	8,566	(94,796)
Reinsurers' share of claims Incurred but not reported	13,717	5,814
Deferred policy acquisition costs	(8,113)	(10,254)
Due from reinsurers	(19,922)	4,353
Prepaid expenses and other assets	(18,241)	(947)
Policyholders claims payables	2,585	1,415
Accrued and other liabilities	3,774	3,507
Due to reinsurers, agents, brokers and third party administrators	87,865	60,897
Unearned premiums	94,524	117,116
Unearned reinsurance commission	8,539	10,154
Outstanding claims	(9,097)	99,200
Claims incurred but not reported	(11,001)	(8,060)
Premium deficiency reserve	(6,107)	3,329
Additional unexpired risk reserve	14	3,027
Unallocated loss adjustment expense provision	(197)	(1,470)
	<u>(18,324)</u>	<u>25,515</u>
Surplus paid to policyholders	(2,715)	(4,455)
Net cash (used in) / generated from operating activities	<u>(21,039)</u>	<u>21,060</u>

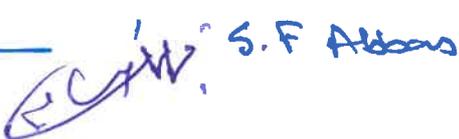
 S. F. Abbas

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

		Three-month period ended March 31, 2019 (Unaudited)	Three-month period ended March 31, 2018 (Unaudited)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment		(66)	(4,288)
Net cash used in investing activities		(66)	(4,288)
Net change in cash and cash equivalents		(21,105)	16,772
Cash and cash equivalents, beginning of the period	4	324,060	269,559
Cash and cash equivalents, end of the period	4	302,955	286,331
SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION			
Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets		2,762	2,940
Actuarial losses on defined benefit obligation adjusted against accrued expenses and other liabilities		171	-





The accompanying notes 1 to 22 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
At March 31, 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 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 21 Shawwal 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16,1430H (corresponding to October 5, 2009). The Company was listed on the Saudi Arabian stock market (Tadawul) on September 6, 2010.

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

2 Basis of preparation

(a) Statement of compliance

The interim condensed financial statements of the Company has been prepared in accordance with 'International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax (hereinafter referred to as "IFRS as modified by SAMA"). As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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

As required by the Saudi Arabian Insurance Regulations (the Implementation Regulations), the Company maintains separate books of accounts for "Insurance Operations" and "Shareholders' Operations". Accordingly, assets, liabilities, revenues and expenses clearly attributable to either operation, are recorded in the respective accounts.

The interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended December 31, 2018.

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

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

(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. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2018 except for the following:

2 Basis of preparation (continued)

(b) Critical accounting judgments, estimates and assumptions (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

(c) Seasonality of operations

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

3 Significant accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018 except as explained below:

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

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

Standard	Description
IFRS 2	Amendments to IFRS 2 Classification and Measurement of share-based Payment transactions.
IAS 40	Amendments to IAS 40 Transfers of investment property
IFRIC 22	Foreign Currency Transactions and Advance consideration
IFRS 1 and IAS 28	Annual Improvements 2016 to IFRS 2014 - 2016 cycle.

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

- b) The Company has adopted the following new standard issued

IFRS 16 – Leases

The Company adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the special commission expense on the lease liability and the depreciation expense on the right-of-use asset.

3 Significant accounting policies (continued)

IFRS 16 – Leases (continued)

b) The Company has adopted the following new standard issued (continued)

Lessees are also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Company has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. All existing operating leases consist of lease terms which ends within twelve months.

Though there are changes in accounting policies, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 16 on 1 January 2019.

Standards issued but not yet effective

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

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments (note below)	See note below
IFRS 17	Insurance Contracts	1 January 2022

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss (ECL) impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9:

- All financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the statement of income.
- IFRS 9 requires entities to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through statement of income as well as finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
- The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At March 31, 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

Standards issued but not yet effective (continued)

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2022. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

Under the temporary exemption as introduced by amendments to IFRS 4, the reporting entities whose activities predominantly relate to "insurance" can defer the implementation of IFRS 9. The Company having assessed the implications and has concluded to defer the implementation of IFRS 9 until a later date which will not be later than 1 January 2022.

The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As at 31 March 2019, management is in process to assess the effect of the adoption of IFRS 9.

4 Cash and cash equivalents

	Insurance operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Cash in hand	34	28
Bank balances	40,208	20,455
Deposits maturing within 3 months from the acquisition date	212,500	238,750
Total	252,742	259,233
	Shareholders' operations	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Bank balances	213	14,827
Deposits maturing within 3 months from the acquisition date	50,000	50,000
Total	50,213	64,827
Total of cash and cash equivalents	302,955	324,060

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

5 Premiums receivable - net

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Receivable from policy holders	348,898	218,217
Impairment allowance for doubtful receivables	(29,825)	(25,752)
Premiums receivables – net	319,073	192,465

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At March 31, 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Premiums receivable - net (continued)

Movement in impairment allowance for doubtful receivables during the year was as follows:

	2019 (Unaudited)	2018 (Audited)
Balance, December 31	25,752	17,361
Provision for the period / year	4,073	8,391
Balance, March 31	29,825	25,752

As at 31 December, the ageing of unimpaired premium receivables is as follows:

	Total	----- Past due but not impaired -----			
		Less than 90 days	90 to 180 days	181 to 360 days	More than 360 days
March 31, 2019	319,073	230,085	40,626	45,911	2,451
December 31, 2018	192,465	115,164	46,641	27,921	2,739

6 Due from reinsurers

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
<i>Insurance operations</i>		
Reinsurers	34,601	14,679
Impairment Allowance for doubtful reinsurers receivables	(2,150)	(1,439)
	32,451	13,240

Movement in allowance for doubtful reinsurers receivables is as follows:

	2019	2018
Balance, December 31	1,439	3,083
Provision / (Reversals) for the period	711	(1,644)
Balance, March 31	2,150	1,439

As at December 31, the ageing of unimpaired reinsurers balances is as follows:

	Total	----- Past due but not impaired -----			
		Less than 90 days	90 to 180 days	181 to 360 days	More than 360 days
March 31, 2019	32,451	28,242	4,209	-	-
December 31, 2018	13,240	12,991	249	-	-

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At March 31, 2019
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Technical reserves

7.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	March 31, 2019	March 31, 2018
Outstanding claims	235,166	244,263
Claims incurred but not reported	103,012	114,013
Premium deficiency reserve	17,114	23,221
Additional unexpired risk reserve	399	385
Unallocated loss adjustment expense provision	3,310	3,507
	359,001	385,389
Less:		
Reinsurers' share of outstanding claims	(150,882)	(159,448)
Reinsurers' share of claims incurred but not reported	(65,163)	(78,880)
	(216,045)	(238,328)
Net outstanding claims and reserves	142,956	147,061

7.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Three-month period ended March 31, 2019 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	253,354	104,039	149,315
Premium written during the period	270,903	124,833	146,070
Premium earned during the period	(176,379)	(76,394)	(99,985)
Balance as at the end of the period	347,878	152,478	195,400
	Year ended December 31, 2018 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	211,294	109,585	101,709
Premium written during the year	712,324	291,655	420,669
Premium earned during the year	(670,264)	(297,201)	(373,063)
Balance as at the end of the year	253,354	104,039	149,315

8 Investments

		March 31, 2019	December 31, 2018
	Note	(Unaudited)	(Audited)
Fair value through income statement investments (FVIS)	8.1	106,592	105,004
Available-for-sale investment	8.2	1,923	1,923
		108,515	106,927

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
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8 Investments (continued)

8.1 Fair value through income statement

Movement is as follows:

	Three-month period ended 31 March 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Opening balance	105,004	103,231
Changes in fair value of investments	1,588	1,773
Closing balance	106,592	105,004

8.2 Available-for-sale investment

This represents the Company's 3.45% (31 December 2018: 3.45%) 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 valuation, management believe that fair values cannot be ascertained reliably.

9. Prepaid expense and other assets

Prepaid expense and other assets are stated net of impairment allowance for salvage and subrogation of SR 3.23 million (2018: SR 1.15 million).

10 Statutory Deposit

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ("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 Saudi Arabian Monetary Authority (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.

11 Zakat and income tax

11.1 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 General Authority of Zakat and Tax ("GAZT") could be different from the declaration filed by the Company.

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11 Zakat and income tax (continued)

11.2 Provision for zakat and income tax

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Opening balance	7,305	7,205
Charge for zakat	1,482	4,853
Charge for income tax	742	2,020
Payments	-	(6,615)
Reduction in tax recoverable	-	(158)
Closing balance	<u>9,529</u>	<u>7,305</u>

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

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

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

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Zakat	74.44	74.44
Income tax	25.56	25.56

Status of assessments

The Company has filed its tax returns with the General Authority of Zakat and Tax ("GAZT") from inception up to 2018.

The Company's tax and zakat position has been finalized up to the years ended December 31, 2012.

The tax returns filed for the year ended December 31, 2013 to 2018 are currently being reviewed by the GAZT.

12 Share capital and earnings per share

The authorized, issued and paid up capital of the Company is SAR 200 million divided into 20 million shares of SR 10 each (December 31, 2018: SAR 200 million divided into 20 million shares of SR 10 each).

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

13 Statutory reserve

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

14 Commitments and Contingencies

The Company's Bankers has issued guarantee of SR 2.1 million (2018: SR 1.9 million) to its suppliers on behalf of the Company.

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15 Gross premiums written

Class	For the three-month period ended March 31, 2019					Total Gross premiums written
	Corporate					
	Very Small	Small	Medium	Large	Individual	
Medical	-	-	-	-	-	-
Motor	830	10,033	36,776	81,835	4,412	133,886
Property and accident	754	10,647	40,227	57,247	5,656	114,531
Protection and saving (term life)	-	1,181	4,292	17,013	-	22,486
Total	1,584	21,861	81,295	156,095	10,068	270,903

Class	For the three-month period ended March 31, 2018					Total Gross premiums written
	Corporate					
	Very Small	Small	Medium	Large	Individual	
Medical	-	-	-	-	-	-
Motor	9,825	12,514	54,618	56,304	6,294	139,555
Property and accident	2,347	7,831	49,641	46,768	2,924	109,511
Protection and saving (term life)	-	613	4,856	13,576	-	19,045
Total	12,172	20,958	109,115	116,648	9,218	268,111

16 Reinsurance premiums ceded

	Three-month period ended 31 March 2019 (Unaudited)	Three-month period ended 31 March 2018 (Unaudited)
Locally	7,377	6,517
Internationally (including arranged through local brokers)	113,488	117,394
	120,865	123,911

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

17 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 advantages 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.

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17 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.

As at March 31, 2019 and 31 December 2018, all financial instruments which are fair valued are Level 3 instruments except for investment in sukuks and equity amounting to SR 33.93 million (2018: SR 34.8 million) and SR 2.28 million (2018: SR 4.2 million) 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.

Available for sale investment is carried at cost as its fair value cannot be measured reliably.

18 Operating Segments

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

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

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since December 31, 2018.

Segment assets do not include cash and cash equivalents, premiums receivables, investments, due from reinsurers, prepaid expenses and other assets, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include policy holders claims payable, accrued and other liabilities, due to reinsurers, agents, brokers and third-party administrators, surplus distribution payable, zakat and income tax, and accrued income on statutory deposit. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at March 31, 2019 and December 31, 2018, its total revenues, expenses, and net income for the three-month period then ended, are as follows:

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18 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term life	Total
For the three-month period ended 31 March 2019 (unaudited)								
Revenues								
Gross premiums written	14,534	58,110	133,886	21,709	15,754	4,424	22,486	270,903
Reinsurance premiums ceded	(10,490)	(51,671)	(3,395)	(20,410)	(10,643)	(4,424)	(19,832)	(120,865)
Excess of loss expenses	(390)	(1,459)	(1,675)	(250)	(75)	-	(119)	(3,968)
Net premiums written	3,654	4,980	128,816	1,049	5,036	-	2,535	146,070
Change in unearned premiums, net	(1,526)	(3,780)	(36,007)	(579)	(2,950)	-	(1,243)	(46,085)
Net premiums earned	2,128	1,200	92,809	470	2,086	-	1,292	99,985
Reinsurance commissions	2,104	4,739	1,121	2,093	1,357	3,274	4,625	19,313
Other underwriting income	24	60	92	18	14	-	3	211
Total revenues	4,256	5,999	94,022	2,581	3,457	3,274	5,920	119,509
Cost and expenses								
Gross claims paid and loss adjustment expenses	2,898	1,985	79,748	4,871	767	838	12,178	103,285
Reinsurer's share of claims paid	(2,279)	(1,552)	(5,815)	(4,660)	(635)	(838)	(9,867)	(25,646)
Net claims paid	619	433	73,933	211	132	-	2,311	77,639
Changes in outstanding claims, net	343	611	(261)	(656)	(23)	-	(545)	(531)
Changes in incurred but not reported, net	39	122	3,508	(262)	(254)	-	(437)	2,716
Net claims incurred	1,001	1,166	77,180	(707)	(145)	-	1,329	79,824
Premium deficiency reserve	(15)	2,327	(8,772)	353	-	-	-	(6,107)
Additional unexpired risk reserve	-	-	-	14	-	-	-	14
Unallocated loss adjustment expense provision	(142)	92	84	(111)	(33)	-	(87)	(197)
Policy acquisition costs	1,199	2,296	5,629	1,065	737	2,725	2,271	15,922
Total underwriting cost and expenses	2,043	5,881	74,121	614	559	2,725	3,513	89,456
Net underwriting income	2,213	118	19,901	1,967	2,898	549	2407	30,053
Other operating income / (expenses)								
Allowance for impairment for doubtful debts								(6,865)
General and administration expenses								(25,393)
Commission income on deposits								1,715
Unrealized gain on investments								1,588
Other income								6,825
Total other operating expenses								(22,130)
Net income for the period								7,923
Net income attributed to the policy holders								(786)
Net income for the period attributable to the shareholders								7,137

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18 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term life	Total
For the three-month period ended 31 March 2018 (unaudited)								
Revenues	13,665	52,458	139,555	21,889	16,302	5,197	19,045	268,111
Gross premiums written								
Reinsurance premiums ceded	(9,924)	(49,343)	(10,503)	(20,668)	(11,512)	(5,197)	(16,764)	(123,911)
Excess of loss expenses	(263)	(546)	(810)	(180)	(37)	-	-	(1,836)
Net premiums written	3,478	2,569	128,242	1,041	4,753	-	2,281	142,364
Change in unearned premiums, net	(3,313)	(661)	(61,210)	1,601	(2,774)	-	(647)	(67,004)
Net premiums earned	165	1,908	67,032	2,642	1,979	-	1,634	75,360
Reinsurance commissions	3,964	5,035	1,208	1,680	1,403	3,136	4,407	20,833
Other underwriting income	22	28	64	15	13	-	2	144
Total revenues	4,151	6,971	68,304	4,337	3,395	3,136	6,043	96,337
Cost and expenses								
Gross claims paid and loss adjustment expenses	2,405	871	43,399	8,077	1,687	1,969	6,325	64,733
Reinsurer's share of claims paid	(1,869)	(758)	(4,359)	(7,857)	(540)	(1,969)	(5,580)	(22,932)
Net claims paid	536	113	39,040	220	1,147	-	745	41,801
Changes in outstanding claims, net	(240)	(188)	5,320	(55)	(408)	-	(25)	4,404
Changes in incurred but not reported, net	-	-	(1,866)	(378)	-	-	-	(2,244)
Net claims incurred	296	(75)	42,494	(213)	739	-	720	43,961
Reversal of reinsurance reserves	-	(2,451)	(1,146)	-	-	-	-	(3,597)
Premium deficiency reserve	616	1,423	999	291	-	-	-	3,329
Additional unexpired risk reserve	-	-	-	3,027	-	-	-	3,027
Unallocated loss adjustment expense provision	78	377	618	178	762	-	114	2,127
Policy acquisition costs	2,192	2,361	6,513	914	850	2,639	2,357	17,826
Total underwriting cost and expenses	3,182	1,635	49,478	4,197	2,351	2,639	3,191	66,673
Net underwriting income	969	5,336	18,826	140	1,044	497	2,852	29,664
Other operating income / (expenses)								
Reversal of impairment allowance for doubtful debts								3,189
General and administration expenses								(21,780)
Commission income on deposits								821
Unrealized gain on investments								25
Other income								6,763
Total other operating expenses								(10,982)
Net income for the period								18,682
Net income attributed to the policy holders								(2,032)
Net income for the period attributable to the shareholders								16,650

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18 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term Life	Total
As at March 31, 2019								
(Unaudited)								
Assets								
Reinsurers' share of unearned premiums	10,893	53,968	8,286	25,744	18,627	19,803	15,157	152,478
Reinsurers' share of outstanding claims	5,738	11,730	6,693	19,152	105,089	10	2,470	150,882
Reinsurers' share of claims incurred but not reported	10,211	1,825	2,348	8,610	28,823	-	13,346	65,163
Deferred policy acquisition costs	1,708	4,898	11,711	2,959	1,945	7,191	1,980	32,392
Unallocated assets								852,058
Total assets								1,252,973
Liabilities								
Unearned premiums	14,943	60,378	183,982	27,466	23,609	19,803	17,697	347,878
Unearned reinsurance commission	2,919	10,488	1,381	5,593	3,714	8,858	5,029	37,982
Outstanding claims	7,548	13,207	85,598	20,279	105,710	10	2,814	235,166
Claims incurred but not reported	12,246	2,120	32,302	9,435	31,223	-	15,686	103,012
Premium deficiency reserve	-	4,048	11,893	1,173	-	-	-	17,114
Additional unexpired risk reserve	-	-	-	399	-	-	-	399
Unallocated loss adjustment expense provision	714	363	1,194	193	312	-	534	3,310
Unallocated liabilities								263,053
Total liabilities								1,007,914
As at 31 December 2018								
(Audited)								
Assets								
Reinsurers' share of unearned premiums	6,033	25,280	11,346	14,895	13,720	21,794	10,971	104,039
Reinsurers' share of outstanding claims	4,637	7,094	7,390	31,282	105,588	8	3,449	159,448
Reinsurers' share of claims incurred but not reported	12,840	1,409	3,566	13,776	31,839	-	15,450	78,880
Deferred policy acquisition costs	1,201	2,928	7,229	1,730	785	8,896	1,510	24,279
Unallocated assets								709,356
Total assets								1,076,002
Liabilities								
Unearned premiums	8,556	27,910	151,034	16,039	15,753	21,794	12,268	253,354
Unearned reinsurance commission	2,130	5,416	1,986	3,311	2,299	10,804	3,497	29,443
Outstanding claims	6,103	7,960	86,555	33,065	106,233	8	4,339	244,263
Claims incurred but not reported	14,835	1,583	30,012	14,864	34,492	-	18,227	114,013
Premium deficiency reserve	15	1,721	20,665	820	-	-	-	23,221
Additional unexpired risk reserve	-	-	-	385	-	-	-	385
Other technical reserves	853	271	1,112	305	345	-	621	3,507
Unallocated liabilities								168,241
Total liabilities								836,427

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19 Related party matters

19.1 Related party transactions

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

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

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

Related Party	Nature of Transactions	Three-month period ended March 31, 2019 (Unaudited)	Three-month period ended March 31, 2018 (Unaudited)
Board Members	Fees and related expenses	975	1,311
Key management personnel	Remuneration and related expenses	2,845	2,410
Shareholders' and related parties (common ownership)	- Insurance premiums written	23,683	31,326
	- Claims paid	3,499	6,744
	- Facultative premiums ceded	1,441	2,250
	- Facultative commission received	323	563
	- Facultative claim recovered	864	610
	- Expenses incurred	1,319	1,342
	- Commission income on deposits	1,716	821

19.2 Related party balances

Balances with related parties	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Premiums receivable, net	29,483	11,067
Cash and cash equivalents with a shareholder	302,921	324,032
Amounts due to a shareholder for facultative transactions	(390)	(52)
Advances due from key management personnel	38	450
Income tax receivable from foreign shareholders	2,762	2,020
Statutory deposit with a shareholder	20,000	20,000
Amount due to a related party for expenses	2,885	-
Directors fees and expenses payable	975	1,311
Accrued income on statutory deposit	971	848

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20 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 amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

21 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

	SAR '000					
	March 31, 2019 - (Unaudited)			31 December 2018 - (Audited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
ASSETS						
Cash and cash equivalents	252,742	50,213	302,955	259,233	64,827	324,060
Premiums receivable – net	319,073	-	319,073	192,465	-	192,465
Due from reinsurers – net	32,451	-	32,451	13,240	-	13,240
Reinsurers' share of unearned premiums	152,478	-	152,478	104,039	-	104,039
Reinsurers' share of outstanding claims	150,882	-	150,882	159,448	-	159,448
Reinsurers' share of claims Incurred but not reported	65,163	-	65,163	78,880	-	78,880
Deferred policy acquisition costs	32,392	-	32,392	24,279	-	24,279
Investments	-	108,515	108,515	-	106,927	106,927
Prepaid expenses and other assets	30,819	27,923	58,742	16,054	25,786	41,840
Due from insurance operations	-	39,583	39,583	-	19,902	19,902
Property and equipment	-	9,352	9,352	-	9,976	9,976
Statutory deposit	-	20,000	20,000	-	20,000	20,000
Accrued income on statutory deposit	-	970	970	-	848	848
TOTAL OPERATIONS' ASSETS	1,036,000	256,556	1,292,556	847,638	248,266	1,095,904
Less: Inter-operations eliminations	-	(39,583)	(39,583)	-	(19,902)	(19,902)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	1,036,000	216,973	1,252,973	847,638	228,364	1,076,002

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21 Supplementary information (continued)

a) Interim statement of financial position (continued)

	SAR '000					
	March 31, 2019 - (Unaudited)			December 31, 2018 - (Audited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
LIABILITIES						
Policyholders claims payable	32,523	-	32,523	29,938	-	29,938
Accrued expenses and other liabilities	59,610	998	60,608	56,125	538	56,663
Due to shareholder operations	39,583	-	39,583	19,902	-	19,902
Due to reinsurers, agents, brokers and third party administrator	156,283	-	156,283	68,418	-	68,418
Unearned premiums	347,878	-	347,878	253,354	-	253,354
Unearned reinsurance commission	37,982	-	37,982	29,443	-	29,443
Outstanding claims	235,166	-	235,166	244,263	-	244,263
Claims incurred but not reported	103,012	-	103,012	114,013	-	114,013
Premium deficiency reserve	17,114	-	17,114	23,221	-	23,221
Additional unexpired risk reserve	399	-	399	385	-	385
Unallocated loss adjustment expense provision	3,310	-	3,310	3,507	-	3,507
Surplus distribution payable	3,140	-	3,140	5,069	-	5,069
Zakat and income tax payable	-	9,529	9,529	-	7,305	7,305
Accrued income on statutory deposit	-	970	970	-	848	848
TOTAL OPERATIONS' LIABILITIES	1,036,000	11,497	1,047,497	847,638	8,691	856,329
Less: Inter-operations eliminations	(39,583)	-	(39,583)	(19,902)	-	(19,902)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	996,417	11,497	1,007,914	827,736	8,691	836,427
SHAREHOLDERS' EQUITY						
Share capital	-	200,000	200,000	-	200,000	200,000
Statutory reserve	-	10,099	10,099	-	10,099	10,099
Retained earnings	-	34,960	34,960	-	29,476	29,476
TOTAL SHAREHOLDERS' EQUITY	-	245,059	245,059	-	239,575	239,575
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	996,417	256,556	1,252,973	827,736	248,266	1,076,002

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21 Supplementary information (continued)

b) Interim statement of income

	Three-month period ended March 31, 2019 – (Unaudited)			Three-month period ended March 31, 2018 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
REVENUES						
Gross premiums written	270,903	-	270,903	268,111	-	268,111
Reinsurance premiums ceded	(120,865)	-	(120,865)	(123,911)	-	(123,911)
Excess of loss expenses	(3,968)	-	(3,968)	(1,836)	-	(1,836)
Net premiums written	146,070	-	146,070	142,364	-	142,364
Changes in unearned premiums, net	(46,085)	-	(46,085)	(67,004)	-	(67,004)
Net premiums earned	99,985	-	99,985	75,360	-	75,360
Reinsurance commissions	19,313	-	19,313	20,833	-	20,833
Other underwriting income	211	-	211	144	-	144
TOTAL REVENUES	119,509	-	119,509	96,337	-	96,337
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	103,285	-	103,285	64,733	-	64,733
Reinsurers' share of claims paid	(25,646)	-	(25,646)	(22,932)	-	(22,932)
Net claims paid	77,639	-	77,639	41,801	-	41,801
Changes in outstanding claims, net	(531)	-	(531)	4,404	-	4,404
Changes in incurred but not reported, net	2,716	-	2,716	(2,244)	-	(2,244)
Net claims incurred	79,824	-	79,824	43,961	-	43,961
Reversal of / allowance for reinsurance reserves	-	-	-	(3,597)	-	(3,597)
Premium deficiency reserve	(6,107)	-	(6,107)	3,329	-	3,329
Additional unexpired risk reserve	14	-	14	3,027	-	3,027
Unallocated loss adjustment expense provision	(197)	-	(197)	2,127	-	2,127
Policy acquisition costs	15,922	-	15,922	17,826	-	17,826
TOTAL UNDERWRITING COSTS AND EXPENSES	89,456	-	89,456	66,673	-	66,673
NET UNDERWRITING INCOME	30,053	-	30,053	29,664	-	29,664

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
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At March 31, 2019
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21 Supplementary information (continued)

b) Interim statement of income (continued)

	Three-month period ended March 31, 2019 – (Unaudited)			Three-month period ended March 31, 2018 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
<u>OTHER OPERATING INCOME / (EXPENSES)</u>						
Reversal of / (allowance for) impairment for doubtful debts	(6,865)	-	(6,865)	3,189	-	3,189
General and administrative expenses	(23,538)	(1,855)	(25,393)	(20,006)	(1,774)	(21,780)
Commission income on deposits	1,388	327	1,715	706	115	821
Unrealized gain on investments	-	1,588	1,588	-	25	25
Other income	6,825	-	6,825	6,763	-	6,763
TOTAL OTHER OPERATING EXPENSES	(22,190)	60	(22,130)	(9,348)	(1,634)	(10,982)
NET SURPLUS FROM INSURANCE OPERATIONS	7,863	-	7,863	20,316	-	20,316
Surplus to Shareholders operations (note (e))	(7,077)	7,077	-	(18,284)	18,284	-
TOTAL INCOME ATTRIBUTED TO	786	7,137	7,923	2,032	16,650	18,682
Earnings per share (Expressed in SAR per share)	-	0.36	-	-	0.83	-

c) Interim statement of comprehensive income

	SAR '000					
	Three-month period ended March 31, 2019 – (Unaudited)			Three-month period ended March 31, 2018 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Total income for the period	786	7,137	7,923	-	16,650	16,650
Other comprehensive income						
Items that will not be reclassified to statements of income in subsequent years						
Actuarial losses on defined benefit obligation	(171)	-	(171)	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	615	7,137	7,752	-	16,650	16,650
Less: Net Income attributable to insurance operations			(786)			-
			6,966			16,650

WATANIYA INSURANCE COMPANY
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21 Supplementary information (continued)

d) Interim statement of cash flows

	Three-month period ended March 31, 2019 – (Unaudited)			Three-month period ended March 31, 2018 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period attributable to shareholders	-	7,137	7,137	-	16,650	16,650
Adjustments for non-cash items:						
Income attributable to insurance operations	786	-	786	2,032	-	2,032
Depreciation of property and equipment	-	690	690	-	479	479
Shareholder share of surplus from insurance operations	7,077	(7,077)	-	18,284	(18,284)	-
Allowance for / (Reversal) of impairment allowance for doubtful Receivable	6,865	-	6,865	(3,189)	-	(3,189)
Unrealized gain on investments	-	(1,588)	(1,588)	-	(25)	(25)
	14,728	(838)	13,890	17,127	(1,180)	15,947
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(130,681)	-	(130,681)	(133,605)	-	(133,605)
Reinsurers' share of unearned premiums	(48,439)	-	(48,439)	(50,112)	-	(50,112)
Reinsurers' share of outstanding claims	8,566	-	8,566	(94,796)	-	(94,796)
Reinsurers' share of claims Incurred but not reported	13,717	-	13,717	5,814	-	5,814
Deferred policy acquisition costs	(8,113)	-	(8,113)	(10,254)	-	(10,254)
Due from reinsurers	(19,922)	-	(19,922)	4,353	-	4,353

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21 Supplementary information (continued)

d) Interim statement of cash flows (continued)

	Three-month period ended March 31, 2019 – (Unaudited)			Three-month period ended March 31, 2018 – (Unaudited)		
	Insurance operation	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Prepaid expenses and other assets	(16,846)	(1,395)	(18,241)	(3,029)	2,082	(947)
Policyholders claims payable	2,585	-	2,585	1,415	-	1,415
Accrued and other liabilities	3,314	460	3,774	2,217	1,290	3,507
Due to reinsurers, agents, brokers and third party administrators	87,865	-	87,865	60,897	-	60,897
Unearned premiums	94,524	-	94,524	117,116	-	117,116
Unearned reinsurance commission	8,539	-	8,539	10,154	-	10,154
Outstanding claims	(9,097)	-	(9,097)	99,200	-	99,200
Claims incurred but not reported	(11,001)	-	(11,001)	(8,060)	-	(8,060)
Premium deficiency reserve	(6,107)	-	(6,107)	3,329	-	3,329
Additional unexpired risk reserve	14	-	14	3,027	-	3,027
Due to shareholder operations	12,775	(12,775)	-	(128)	128	-
Unallocated loss adjustment expense provision	(197)	-	(197)	(1,470)	-	(1,470)
	(3,776)	(14,548)	(18,324)	23,195	2,320	25,515
Surplus paid to policy holders	(2,715)	-	(2,715)	(4,455)	-	(4,455)
Net cash (used in) / from operating activities	(6,491)	(14,548)	(21,039)	18,740	2,320	21,060
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions property and equipment	-	(66)	(66)	-	(4,288)	(4,288)
Net cash used in investing activities	-	(66)	(66)	-	(4,288)	(4,288)
Net change in cash and cash equivalents	(6,491)	(14,614)	(21,105)	18,740	(1,968)	16,772
Cash and cash equivalents, beginning of the period	259,233	64,827	324,060	225,907	43,652	269,559
Cash and cash equivalents, end of the period	252,742	50,213	302,955	244,647	41,684	286,331
SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION						
Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets	-	2,762	2,762	-	2,940	2,940
Actuarial losses on defined obligation adjusted against accrued expenses and other liabilities	171	-	171	-	-	-

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21 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%
	<hr/>
	100%

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

22 Approval of the interim condensed financial statements

These interim condensed financial statements have been approved by the Board of Directors on 22 April 2019.