

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

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2018**

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Unaudited interim condensed financial statements
For the three-month and six-month periods ended June 30, 2018

INDEX	Page
Independent auditor's review report	2
Interim condensed statement of financial position	3
Interim condensed statement of income	4
Interim condensed statement of comprehensive income	5
Interim condensed statement of changes in shareholders' equity	6
Interim condensed statement of cash flows	7-8
Notes to the interim condensed financial statements	9 – 31



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**INDEPENDENT AUDITOR'S 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 30 June 2018 and the related interim condensed statements of income and comprehensive income for the three month and six month periods then ended and the interim condensed statements of changes in shareholders' equity and cash flows for the six 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.

Ernst & Young

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20 Dhul-Qi'dah 1439H
02 August, 2018
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)

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	Note		
ASSETS			
Cash and cash equivalents	4	305,900	269,559
Premiums receivable	5	247,255	112,518
Due from reinsurers	6	3,364	2,892
Reinsurers' share of unearned premiums	8	141,141	109,585
Reinsurers' share of outstanding claims	8	136,312	33,854
Reinsurers' share of claims incurred but not reported	8	80,324	87,152
Deferred policy acquisition costs		34,599	28,047
Investments	7	106,069	105,154
Prepaid expenses and other assets		31,657	27,138
Property and equipment		9,143	1,847
Statutory deposit	9	20,000	20,000
Accrued income on statutory deposit	9	552	487
TOTAL ASSETS		1,116,316	798,233
LIABILITIES			
Policyholders claims payable		26,040	12,910
Accrued and other liabilities		45,246	39,382
Due to reinsurers, agents, brokers and third party administrators		90,610	45,377
Unearned premiums	8	333,388	211,294
Unearned reinsurance commission		38,221	31,204
Outstanding claims	8	192,546	80,299
Claims incurred but not reported	8	118,156	128,894
Premium deficiency reserve	8	3,329	-
Additional unexpired risk reserve	8	3,027	-
Other technical reserves	8	2,127	3,597
Surplus distribution payable		10,664	12,225
Zakat and income tax payable	14	5,263	7,205
Accrued income on statutory deposit	9	552	487
TOTAL LIABILITIES		869,169	572,874
SHAREHOLDERS' EQUITY			
Share capital	15	200,000	200,000
Statutory reserve	17	6,012	6,012
Retained earnings		41,135	19,347
TOTAL SHAREHOLDERS' EQUITY		247,147	225,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,116,316	798,233
COMMITMENTS AND CONTINGENCIES	10	1,900	-

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

  S. F. Abbas

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

	Note	Three-month period ended June 30, 2018 (Unaudited)	Three-month period ended June 30, 2017 (Unaudited)	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
REVENUES					
Gross premiums written		164,472	82,551	432,583	348,898
Reinsurance premiums ceded	16	(48,933)	(38,382)	(172,844)	(165,599)
Excess of loss expenses	16	(2,498)	(1,713)	(4,334)	(3,428)
Net premiums written		113,041	42,456	255,405	179,871
Changes in unearned premium, net		(23,534)	31,667	(90,538)	(34,008)
Net premiums earned		89,507	74,123	164,867	145,863
Reinsurance commissions		16,196	17,768	37,029	41,459
Other underwriting income		82	76	226	231
TOTAL REVENUES		105,785	91,967	202,122	187,553
COST AND EXPENSES					
Gross claims paid and loss adjustment expenses		61,627	57,302	126,360	118,462
Reinsurers' share of claims paid		(18,138)	(15,572)	(41,070)	(35,971)
Net claims paid		43,489	41,730	85,290	82,491
Changes in outstanding claims, net		5,385	687	9,789	(96)
Changes in incurred but not reported claims, net		(1,666)	5,601	(3,910)	7,576
Net claims incurred		47,208	48,018	91,169	89,971
Charge for / (reversal of) reinsurance reserves		-	342	(3,597)	1,461
Premium deficiency reserve		-	-	3,329	-
Additional unexpired risk reserve		-	-	3,027	-
Other technical reserves		-	-	2,127	-
Policy acquisition costs		15,079	16,506	32,905	35,801
TOTAL UNDERWRITING COST AND EXPENSES		62,287	64,866	128,960	127,233
NET UNDERWRITING INCOME		43,498	27,101	73,162	60,320
OTHER OPERATING (EXPENSES) / INCOME					
Allowance for impairment of doubtful debts		(14,192)	(8,949)	(11,003)	(9,880)
General and administrative expenses		(23,246)	(16,854)	(45,026)	(34,036)
Commission income on deposits	13	1,008	608	1,829	1,232
Unrealized gain on investments		890	969	915	1,668
Realized gain on investments		-	-	-	118
Other income		850	5,756	7,613	6,711
TOTAL OTHER OPERATING EXPENSES		(34,690)	(18,470)	(45,672)	(34,187)
Net income for the period		8,808	8,631	27,490	26,133
Net income attributed to the policy holders		(860)	(947)	(2,892)	(2,744)
Net income for the period attributable to the shareholders		7,948	7,684	24,598	23,389
Earnings per share (expressed in SAR per share)	15	0.40	0.38	1.23	1.17

The accompanying notes 1 to 21 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 June 30, 2018 (Unaudited)	Three-month period ended June 30, 2017 (Unaudited)	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	7,948	7,684	24,598	23,389
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,948	7,684	24,598	23,389

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



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 six-month period ended 30 June 2018</i>			
	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at beginning of the period (Audited)	200,000	6,012	19,347	225,359
Net income for the period attributable to shareholders	-	-	24,598	24,598
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period attributable to shareholders	-	-	24,598	24,598
Zakat and income tax charge	-	-	(4,831)	(4,831)
Income tax recoverable from foreign shareholders	-	-	2,021	2,021
Balance at end of the period (Unaudited)	200,000	6,012	41,135	247,147

	<i>For the six-month period ended 30 June 2017</i>		
	Share capital SR'000	(Accumulated losses) / retained earnings SR'000	Total SR'000
Balance at beginning of the period (Audited)	200,000	(14,649)	185,351
Net income for the period attributable to shareholders	-	23,389	23,389
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period attributable to shareholders	-	23,389	23,389
Zakat and income tax charge	-	(2,976)	(2,976)
Income tax recoverable from foreign shareholders	-	1,350	1,350
Balance at end of the period (Unaudited)	200,000	7,114	207,114

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

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S. F. Alkawas

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

	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period attributable to shareholders	24,598	23,389
Adjustments for non-cash items:		
Income attributable to insurance operations	2,892	2,744
Depreciation of property and equipment	1,154	756
Charge for impairment allowance for doubtful premiums receivable	12,777	10,410
Unrealized gain on investments	(915)	(1,668)
Realized gain on investments	-	(118)
Reversal of impairment allowance for doubtful reinsurance receivable	(1,774)	(530)
	<u>38,732</u>	<u>34,983</u>
<u>Changes in operating assets and liabilities:</u>		
Premiums receivable	(147,514)	(75,983)
Reinsurers' share of unearned premiums	(31,556)	(24,333)
Reinsurers' share of outstanding claims	(102,458)	(1,927)
Reinsurers' share of claims incurred but not reported	6,828	(12,665)
Deferred policy acquisition costs	(6,552)	(1,928)
Due from reinsurers	1,302	10,728
Prepaid expenses and other assets	(4,712)	(6,867)
Policyholders claims payables	13,130	4,578
Accrued and other liabilities	5,864	960
Due to reinsurers, agents, brokers and third party administrators	45,233	39,857
Unearned premiums	122,094	58,341
Unearned reinsurance commission	7,017	1,272
Outstanding claims	112,247	1,830
Claims incurred but not reported	(10,738)	20,242
Premium deficiency reserve	3,329	-
Additional unexpired risk reserve	3,027	-
Other technical reserves	(1,470)	1,461
	<u>53,803</u>	<u>50,549</u>
Surplus paid to policyholders	(4,453)	-
Zakat and income tax paid net of recovery	(4,559)	(2,046)
Net cash generated from operating activities	<u><u>44,791</u></u>	<u><u>48,503</u></u>

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

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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)

	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment	(8,450)	(639)
Investment income received	-	118
Net cash used in investing activities	(8,450)	(521)
Net change in cash and cash equivalents	36,341	47,982
Cash and cash equivalents, beginning of the period	269,559	195,657
Cash and cash equivalents, end of the period	305,900	243,639
SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION		
Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets	2,021	1,350

The accompanying notes 1 to 21 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 June 30, 2018
(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 Shawwal 21, 1430H (corresponding to October 10, 2009) pursuant to Council of Ministers' Resolution No. 330 dated Shawwal 16, 1430H (corresponding to October 5, 2009). The Company was listed on the Saudi Arabian stock market (Tadawul) on September 6, 2010.

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

2 Basis of preparation

(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. Similarly, in the past, the Company's interim condensed and annual financial statements presented separately the statement of financial position, statements of income, comprehensive income and cash flows for the insurance operations and shareholders operations.

In the prior period, SAMA issued an illustrative financial statements for the insurance sector in the Kingdom of Saudi Arabia. Following the illustrative financial statements, this is the second period where the Company issued its interim condensed financial statements after combining shareholders and insurance operations to prepare the Company level interim condensed financial statements. In preparing the Company level financial statements in compliance with IFRS as modified by SAMA, the balances and transactions of the insurance operations are combined with those of the shareholders' operations. Interoperation balances, transactions and unrealised gains or losses, if any, are eliminated in full. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

In preparing these interim condensed financial statements, comparative amounts, which in the most recent interim condensed financial statements and annual financial statements were presented separately for shareholders and insurance operations, were also combined together to conform with the current period presentation and SAMA requirements. However, note 19 to these interim condensed financial statements provide statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations, separately.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

(a) Statement of compliance (continued)

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, 2017.

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 December 31, 2017.

(c) Seasonality of operations

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

3 Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2017 except for IFRS 15 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 15 – Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. However, IFRS 15 does not apply to "revenue from insurance contracts". Insurance entities will need to apply IFRS 15 to non-insurance contracts (or components of insurance contracts). Therefore, insurance entities will need to carefully evaluate the scope of this standard.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements
At June 30 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

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

IFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring of goods or services to a customer.

Though there are changes in accounting policy, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

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 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

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.

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 2021. 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 2021.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

Standards issued but not yet effective (continued)

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 such, it is not possible to fully assess the effect of the adoption of IFRS 9.

4 Cash and cash equivalents

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Insurance operations		
Cash in hand	25	27
Bank balances	15,387	34,005
Deposits maturing within 3 months from the acquisition date	213,750	191,875
Total	229,162	225,907
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Shareholders operations		
Bank balances	1,738	13,652
Deposits maturing within 3 months from the acquisition date	75,000	30,000
Total	76,738	43,652
Total of cash and cash equivalents	305,900	269,559

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Receivable from policy holders	277,393	129,879
Impairment allowance for doubtful receivables	(30,138)	(17,361)
	247,255	112,518

6 Due from reinsurers

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Receivable from reinsurers	4,673	5,975
Impairment allowance for doubtful receivables	(1,309)	(3,083)
	3,364	2,892

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Investments

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Fair value through income statement investments (FVIS)	7.1	104,146	103,231
Available-for-sale investment	7.2	1,923	1,923
		106,069	105,154

7.1 Fair value through income statement

Movement is as follows:

	Six-month period ended June 30, 2018 (Unaudited)	Year ended December 31, 2017 (Audited)
Opening balance	103,231	110,674
Disposals	-	(10,000)
Changes in fair value of investments	915	3,032
Investment income realized	-	(475)
Closing balance	104,146	103,231

7.2 Available-for-sale investment

This represents the Company's 3.85% (31 December 2017: 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.

8 Technical reserves

8.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Outstanding claims	192,546	80,299
Claims incurred but not reported	118,156	128,894
Premium deficiency reserve	3,329	-
Additional unexpired risk reserve	3,027	-
Other technical reserves	2,127	3,597
	319,185	212,790
Less:		
Reinsurers' share of outstanding claims	(136,312)	(33,854)
Reinsurers' share of claims incurred but not reported	(80,324)	(87,152)
	(216,636)	(121,006)
Net outstanding claims and reserves	102,549	91,784

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

8.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	Six-month period ended June 30, 2018 (Unaudited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the period	211,294	109,585	101,709
Premium written during the period	432,583	177,178	255,405
Premium earned during the period	(310,489)	(145,622)	(164,867)
Balance as at the end of the period	333,388	141,141	192,247
	Year ended December 31, 2017 (Audited)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	207,071	112,442	94,629
Premium written during the year	578,701	277,377	301,324
Premium earned during the year	(574,478)	(280,234)	(294,244)
Balance as at the end of the year	211,294	109,585	101,709

9 Statutory Deposit

In compliance with Article 58 of the Implementing Regulations of the Saudi Arabian Monetary Authority ("SAMA"), the Company 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 disclosed the commission due on the statutory deposit as an asset and a liability in these interim condensed financial statements.

10 Commitments and Contingencies

The Company's bankers have issued payment guarantees of SR 1,900,000 (2017: NIL) to its suppliers on behalf of the Company.

11 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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

11 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 30 June 2018 and 31 December 2017, all financial instruments which are fair valued are Level 3 instruments except for investment in sukuks and equity amounting to SR 34.8 million (2017: 29.9 million) and SR 4.2 million (2017: 2.9 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.

12 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, 2017.

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

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

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities at June 30, 2018 and December 31, 2017, its total revenues, expenses, and net income for the the three-month periods then ended, are as follows:

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term life	Total
For the three-month period ended June 30, 2018 (unaudited)								
Revenues								
Gross premiums written	6,291	15,972	117,056	5,310	5,212	4,550	10,081	164,472
Reinsurance premiums ceded	(4,483)	(14,096)	(8,813)	(4,733)	(3,528)	(4,550)	(8,730)	(48,933)
Excess of loss expenses	(264)	(546)	(1,472)	(180)	(16)	-	(20)	(2,498)
Net premiums written	1,544	1,330	106,771	397	1,668	-	1,331	113,041
Change in unearned premiums, net	1,634	(148)	(25,750)	63	591	-	76	(23,534)
Net premiums earned	3,178	1,182	81,021	460	2,259	-	1,407	89,507
Reinsurance commissions	899	5,039	1,363	1,843	1,407	2,892	2,753	16,196
Other underwriting income	26	4	44	2	5	-	1	82
Total revenues	4,103	6,225	82,428	2,305	3,671	2,892	4,161	105,785
Cost and expenses								
Gross claims paid and loss adjustment expenses	786	1,967	46,158	1,406	1,787	1,881	7,642	61,627
Reinsurer's share of claims paid	(543)	(1,728)	(4,502)	(1,318)	(1,446)	(1,881)	(6,720)	(18,138)
Net claims paid	243	239	41,656	88	341	-	922	43,489
Changes in outstanding claims, net	513	46	4,744	222	(180)	-	40	5,385
Changes in incurred but not reported claims, net	-	-	(1,666)	-	-	-	-	(1,666)
Net claims incurred	756	285	44,734	310	161	-	962	47,208
Policy acquisition costs	453	2,310	6,864	1,012	888	2,411	1,141	15,079
Total underwriting cost and expenses	1,209	2,595	51,598	1,322	1,049	2,411	2,103	62,287
Net underwriting income	2,894	3,630	30,830	983	2,622	481	2,058	43,498
Other operating (expenses) / income								
Reversal of impairment allowance for doubtful debts								(14,192)
General and administration expenses								(23,246)
Commission income on deposits								1,008
Unrealized gain on investments								890
Other income								850
Total other operating expenses								(34,690)
Net income for the period								8,808
Total income attributed to the policy holders								(860)
Net income for the period attributable to the shareholders								7,948

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term life	Total
For the six-month period ended June 30, 2018 (unaudited)								
Revenues								
Gross premiums written	19,956	68,430	256,610	27,200	21,514	9,747	29,126	432,583
Reinsurance premiums ceded	(14,406)	(63,439)	(19,316)	(25,401)	(15,041)	(9,747)	(25,494)	(172,844)
Excess of loss expenses	(527)	(1,093)	(2,282)	(360)	(33)	-	(39)	(4,334)
Net premiums written	5,023	3,898	235,012	1,439	6,440	-	3,593	255,405
Change in unearned premiums, net	(1,680)	(810)	(86,960)	1,663	(2,182)	-	(569)	(90,538)
Net premiums earned	3,343	3,088	148,052	3,102	4,258	-	3,024	164,867
Reinsurance commissions	4,864	10,073	2,571	3,523	2,810	6,028	7,160	37,029
Other underwriting income	47	32	108	17	19	-	3	226
Total revenues	8,254	13,193	150,731	6,642	7,087	6,028	10,187	202,122
Cost and expenses								
Gross claims paid and loss adjustment expenses	3,191	2,838	89,557	9,484	3,474	3,849	13,967	126,360
Reinsurer's share of claims paid	(2,413)	(2,486)	(8,859)	(9,175)	(1,987)	(3,849)	(12,301)	(41,070)
Net claims paid	778	352	80,698	309	1,487	-	1,666	85,290
Changes in outstanding claims, net	273	(142)	10,064	167	(588)	-	15	9,789
Changes in incurred but not reported claims, net	-	-	(3,532)	(378)	-	-	-	(3,910)
Net claims incurred	1,051	210	87,230	98	899	-	1,681	91,169
Reversal of reinsurance reserves	-	(2,451)	(1,146)	-	-	-	-	(3,597)
Premium deficiency reserve	616	1,422	999	292	-	-	-	3,329
Additional unexpired risk reserve	-	-	-	3,027	-	-	-	3,027
Other technical reserves	78	377	618	178	762	-	114	2,127
Policy acquisition costs	2,645	4,671	13,378	1,926	1,738	5,049	3,498	32,905
Total underwriting cost and expenses	4,390	4,229	101,079	5,521	3,399	5,049	5,293	128,960
Net underwriting income	3,864	8,964	49,652	1,121	3,688	979	4,894	73,162
Other operating (expenses) / income								
Reversal of impairment allowance for doubtful debts								(11,003)
General and administration expenses								(45,026)
Commission income on deposits								1,829
Unrealized gain on investments								915
Other income								7,613
Total other operating expenses								(45,672)
Net income for the period								27,490
Total income attributed to the policy holders								(2,892)
Net income for the period attributable to the shareholders								24,598

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Operating Segments (continued)

	Marine	Property	Motor	Engineering	Accident & liability	Extended warranty	Term life	Total
For the three-month period ended June 30, 2017 (unaudited)								
Revenues								
Gross premiums written	6,396	12,032	43,600	4,213	3,412	3,800	9,098	82,551
Reinsurance premiums ceded	(4,715)	(11,272)	(4,358)	(3,851)	(2,197)	(3,800)	(8,189)	(38,382)
Excess of loss expenses	(190)	(427)	(811)	(285)	-	-	-	(1,713)
Net premiums written	1,491	333	38,431	77	1,215	-	909	42,456
Change in unearned premiums, net	(416)	382	29,914	875	472	-	440	31,667
Net premiums earned	1,075	715	68,345	952	1,687	-	1,349	74,123
Reinsurance commissions	1,008	4,934	1,371	1,600	1,272	5,149	2,434	17,768
Other underwriting income	27	4	37	2	5	-	1	76
Total revenues	2,110	5,653	69,753	2,554	2,964	5,149	3,784	91,967
Cost and expenses								
Gross claims paid and loss adjustment expenses	1,061	4,085	44,841	305	597	1,704	4,709	57,302
Reinsurer's share of claims paid	(807)	(3,613)	(4,657)	(317)	(329)	(1,704)	(4,145)	(15,572)
Net claims paid	254	472	40,184	(12)	268	-	564	41,730
Changes in outstanding claims	108	(288)	530	39	238	-	60	687
Changes in incurred but not reported claims, net	520	215	3,599	152	237	-	878	5,601
Net claims incurred	882	399	44,313	179	743	-	1,502	48,018
Charge for reinsurance reserves	-	234	108	-	-	-	-	342
Policy acquisition costs	512	2,143	6,678	932	791	4,398	1,052	16,506
Total underwriting cost and expenses	1,394	2,776	51,099	1,111	1,534	4,398	2,554	64,866
Net underwriting income	716	2,877	18,654	1,443	1,430	751	1,230	27,101
Other operating (expenses) /income								
Impairment allowance for doubtful debts								(8,949)
General and administration expenses								(16,854)
Commission income on deposits								608
Unrealized gain on investments								969
Realized gain on investments								-
Other income								5,756
Total other operating expenses								(18,469)
Net income for the period								8,631
Total income attributed to the policy holders								(947)
Net income for the period attributable to the shareholders								7,684

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term life	Total
For the six-month period ended June 30, 2017 (unaudited)								
Revenues								
Gross premiums written	20,478	70,236	184,528	23,941	17,121	8,170	24,424	348,898
Reinsurance premiums ceded	(15,893)	(66,924)	(18,695)	(22,244)	(12,207)	(8,170)	(21,466)	(165,599)
Excess of loss expenses	(381)	(853)	(1,625)	(569)	-	-	-	(3,428)
Net premiums written	4,204	2,459	164,208	1,128	4,914	-	2,958	179,871
Change in unearned premiums, net	153	(1,029)	(33,636)	(358)	(1,610)	-	2,472	(34,008)
Net premiums earned	4,357	1,430	130,572	770	3,304	-	5,430	145,863
Reinsurance commissions	5,097	9,884	2,606	3,544	2,459	10,675	7,194	41,459
Other underwriting income	52	34	105	21	17	-	2	231
Total revenues	9,506	11,348	133,283	4,335	5,780	10,675	12,626	187,553
Cost and expenses								
Gross claims paid and loss adjustment expenses	3,734	10,112	88,503	1,720	1,037	3,481	9,875	118,462
Reinsurer's share of claims paid	(2,996)	(9,334)	(9,427)	(1,520)	(543)	(3,481)	(8,670)	(35,971)
Net claims paid	738	778	79,076	200	494	-	1,205	82,491
Changes in outstanding claims	(669)	(487)	980	(106)	171	-	15	(96)
Changes in incurred but not reported claims, net	519	215	5,574	152	237	-	879	7,576
Net claims incurred	588	506	85,630	246	902	-	2,099	89,971
Charge for reinsurance reserves	-	1,002	459	-	-	-	-	1,461
Policy acquisition costs	2,675	4,256	13,115	1,861	1,534	8,899	3,461	35,801
Total underwriting cost and expenses	3,263	5,764	99,204	2,107	2,436	8,899	5,560	127,233
Net underwriting income	6,243	5,584	34,079	2,228	3,344	1,776	7,066	60,320
Other operating (expenses) / income								
Impairment allowance for doubtful debts								(9,880)
General and administration expenses								(34,036)
Commission income on deposits								1,232
Unrealized gain on investments								1,668
Realized gain on investments								118
Other income								6,711
Total other operating expenses								(34,187)
Net income for the period								26,133
Total income attributed to the policy holders								(2,744)
Net income for the period attributable to the shareholders								23,389

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Operating Segments (continued)

	Marine	Property	Motor	Engineer- ing	Accident & liability	Extended warranty	Term Life	Total
As at June 30, 2018 (Unaudited)								
Assets								
Reinsurers' share of unearned premiums	9,762	43,727	14,850	19,872	16,071	23,086	13,773	141,141
Reinsurers' share of outstanding claims	4,800	5,557	6,006	14,619	102,660	-	2,670	136,312
Reinsurers' share of claims incurred but not reported	6,008	34,266	2,795	11,261	19,033	-	6,961	80,324
Deferred policy acquisition costs	553	4,294	13,029	2,470	1,840	10,502	1,911	34,599
Unallocated assets								723,940
Total assets								1,116,316
Liabilities								
Unearned premiums	13,366	47,324	191,508	21,251	20,714	23,086	16,139	333,388
Unearned reinsurance commission	972	8,975	2,597	4,461	3,010	12,680	5,526	38,221
Outstanding claims	5,982	5,961	59,206	15,135	103,302	-	2,960	192,546
Claims incurred but not reported	7,574	35,832	32,010	12,040	21,020	-	9,680	118,156
Premium deficiency reserve	616	1,422	999	292	-	-	-	3,329
Additional unexpired risk reserve	-	-	-	3,027	-	-	-	3,027
Other technical reserves	78	377	618	178	762	-	114	2,127
Unallocated liabilities								178,375
Total liabilities								869,169
As at December 31, 2017 (Unaudited)								
Assets								
Reinsurers' share of unearned premiums	6,475	25,273	10,240	18,455	12,507	24,001	12,634	109,585
Reinsurers' share of outstanding claims	3,017	4,353	6,075	15,811	2,408	110	2,080	33,854
Reinsurers' share of claims incurred but not reported	6,008	34,266	3,960	16,924	19,033	-	6,961	87,152
Deferred policy acquisition costs	1,038	2,973	8,501	1,364	1,229	11,099	1,843	28,047
Unallocated assets								539,595
Total assets								798,233
Liabilities								
Unearned premiums	8,355	28,060	99,939	21,497	15,010	24,001	14,432	211,294
Unearned reinsurance commission	2,020	6,139	1,788	2,345	2,185	13,280	3,447	31,204
Outstanding claims	3,923	4,899	49,213	16,160	3,639	110	2,355	80,299
Claims incurred but not reported	7,575	35,832	36,705	18,081	21,020	-	9,681	128,894
Other technical reserves	-	2,451	1,146	-	-	-	-	3,597
Unallocated liabilities								117,586
Total liabilities								572,874

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Related party matters

13.1 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	Three-month	Six-month	Six-month
		period ended June 30, 2018 (Unaudited)	period ended June 30, 2017 (Unaudited)	period ended June 30, 2018 (Unaudited)	period ended June 30, 2017 (Unaudited)
Board Members	Fees and related expenses	62	419	1,373	1,411
Key management personnel	Remuneration and related expenses	2,660	2,248	5,070	4,538
	- Loans & advances	200	226	200	226
Shareholders' and related parties (common ownership)	- Insurance premiums written	9,751	12,176	41,077	45,645
	- Claims paid	6,349	6,940	13,093	13,044
	- Facultative premiums (net)	258	422	1,832	2,839
	- Expenses incurred	1,378	1,192	2,720	2,216
	- Commission income on deposits	1,008	608	1,829	1,232

13.2 Related party balances

Balances with related parties	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Premiums receivable	3,811	4,580
Cash and cash equivalents with a shareholder	305,875	269,532
Amounts due from a shareholder for facultative premiums ceded	930	713
Advances due from key management personnel	362	363
Income tax receivable from foreign shareholders	2,021	2,214
Statutory deposit with a shareholder	20,000	20,000
Amount due to a related party for expenses	(107)	(75)
Advance paid to a related party	-	3,775
Accrued income on statutory deposit	551	487
Rent paid in advance to a related party	1,254	-

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Zakat and income tax

14.1 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.

14.2 Provision for zakat and income tax

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Opening balance	7,205	4,444
Charge for zakat	2,810	4,700
Charge for income tax	2,021	2,214
Payments	(6,617)	(3,805)
Reduction in tax recoverable	(156)	(162)
Zakat paid under protest adjusted	-	(186)
Closing balance	<u>5,263</u>	<u>7,205</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:

	June 30, 2018 (Unaudited)	December 31, 2017 (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 2017.

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 2017 are currently being reviewed by the GAZT.

15 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, 2017: 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.

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Reinsurance premium ceded

	Three-month period ended June 30, 2018 (Unaudited)	Three-month period ended June 30, 2017 (Unaudited)	Six-month period ended June 30, 2018 (Unaudited)	Six-month period ended June 30, 2017 (Unaudited)
Locally	2,056	1,593	8,573	7,949
Internationally (including arranged through local brokers)	46,877	36,789	164,271	157,650
	48,933	38,382	172,844	165,599

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

17 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.

18 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.

19 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					
	June 30, 2018 - (Unaudited)			December 31, 2017 - (Audited)		
	Insurance operations	Share- holders' operations	Total	Insurance operations	Share- holders' operations	Total
ASSETS						
Cash and cash equivalents	229,162	76,738	305,900	225,907	43,652	269,559
Premiums receivable	247,255	-	247,255	112,518	-	112,518
Due from reinsurers	3,364	-	3,364	2,892	-	2,892
Reinsurers' share of unearned premiums	141,141	-	141,141	109,585	-	109,585
Reinsurers' share of outstanding claims	136,312	-	136,312	33,854	-	33,854
Reinsurers' share of claims Incurred but not reported	80,324	-	80,324	87,152	-	87,152
Deferred policy acquisition costs	34,599	-	34,599	28,047	-	28,047
Investments	-	106,069	106,069	-	105,154	105,154
Prepaid expenses and other assets	17,736	13,921	31,657	9,689	17,449	27,138
Due from insurance operations	-	26,999	26,999	-	45,490	45,490
Property and equipment	-	9,143	9,143	-	1,847	1,847
Statutory deposit	-	20,000	20,000	-	20,000	20,000
Accrued income on statutory deposit	-	552	552	-	487	487
TOTAL OPERATIONS' ASSETS	889,893	253,422	1,143,315	609,644	234,079	843,723
Less: Inter-operations eliminations	-	(26,999)	(26,999)	-	(45,490)	(45,490)
TOTAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	889,893	226,423	1,116,316	609,644	188,589	798,233

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Supplementary information (continued)

a) Interim statement of financial position (continued)

	SAR '000					
	June 30, 2018 - (Unaudited)			December 31, 2017 - (Audited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
LIABILITIES						
Policyholders claims payable	26,040	-	26,040	12,910	-	12,910
Accrued and other liabilities	44,786	460	45,246	38,354	1,028	39,382
Due to shareholder operations	26,999	-	26,999	45,490	-	45,490
Due to reinsurers, agents, brokers and third – party administrators	90,610	-	90,610	45,377	-	45,377
Unearned premiums	333,388	-	333,388	211,294	-	211,294
Unearned reinsurance commission	38,221	-	38,221	31,204	-	31,204
Outstanding claims	192,546	-	192,546	80,299	-	80,299
Claims incurred but not reported	118,156	-	118,156	128,894	-	128,894
Premium deficiency reserve	3,329	-	3,329	-	-	-
Additional unexpired risk reserve	3,027	-	3,027	-	-	-
Other technical reserves	2,127	-	2,127	3,597	-	3,597
Surplus distribution payable	10,664	-	10,664	12,225	-	12,225
Zakat and income tax payable	-	5,263	5,263	-	7,205	7,205
Accrued income on statutory deposit	-	552	552	-	487	487
TOTAL OPERATIONS' LIABILITIES	889,893	6,275	896,168	609,644	8,720	618,364
Less: Inter-operations eliminations	(26,999)	-	(26,999)	(45,490)	-	(45,490)
TOTAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	862,894	6,275	869,169	564,154	8,720	572,874
SHAREHOLDERS' EQUITY						
Share capital	-	200,000	200,000	-	200,000	200,000
Statutory reserve	-	6,012	6,012	-	6,012	6,012
Retained earnings	-	41,135	41,135	-	19,347	19,347
TOTAL SHAREHOLDERS' EQUITY	-	247,147	247,147	-	225,359	225,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	862,894	253,422	1,116,316	564,154	234,079	798,233

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Supplementary information (continued)

b) Interim statement of income

	SAR '000					
	Three-month period ended June 30, 2018 – (Unaudited)			Three-month period ended June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
REVENUES						
Gross premiums written	164,472	-	164,472	82,551	-	82,551
Reinsurance premiums ceded	(48,933)	-	(48,933)	(38,382)	-	(38,382)
Excess of loss expenses	(2,498)	-	(2,498)	(1,713)	-	(1,713)
Net premiums written	113,041	-	113,041	42,456	-	42,456
Changes in unearned premiums, net	(23,534)	-	(23,534)	31,667	-	31,667
Net premiums earned	89,507	-	89,507	74,123	-	74,123
Reinsurance commissions	16,196	-	16,196	17,768	-	17,768
Other underwriting income	82	-	82	76	-	76
TOTAL REVENUES	105,785	-	105,785	91,967	-	91,967
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid and loss adjustment expenses	61,627	-	61,627	57,302	-	57,302
Reinsurers' share of claims paid	(18,138)	-	(18,138)	(15,572)	-	(15,572)
Net claims paid	43,489	-	43,489	41,730	-	41,730
Changes in outstanding claims, net	5,385	-	5,385	687	-	687
Changes in incurred but not reported, net	(1,666)	-	(1,666)	5,601	-	5,601
Net claims incurred	47,208	-	47,208	48,018	-	48,018
Reversal of allowance for reinsurance reserves	-	-	-	342	-	342
Premium deficiency reserve	-	-	-	-	-	-
Additional unexpired risk reserve	-	-	-	-	-	-
Other technical reserves	-	-	-	-	-	-
Policy acquisition costs	15,079	-	15,079	16,506	-	16,506
TOTAL UNDERWRITING COSTS AND EXPENSES	62,287	-	62,287	64,866	-	64,866
NET UNDERWRITING INCOME	43,498	-	43,498	27,101	-	27,101

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

19 Supplementary information (continued)

b) Interim statement of income (continued)

	SAR '000					
	Three-month period ended June 30, 2018 – (Unaudited)			Three-month period ended June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
<u>OTHER OPERATING INCOME / (EXPENSES)</u>						
Allowance for impairment for doubtful debts	(14,192)	-	(14,192)	(8,949)	-	(8,949)
General and administrative expenses	(22,435)	(811)	(23,246)	(14,876)	(1,978)	(16,854)
Commission income on deposits	884	124	1,008	434	174	608
Unrealized gain on investments	-	890	890	-	969	969
Realized gain on investments	-	-	-	-	-	-
Other income	850	-	850	5,756	-	5,756
TOTAL OTHER OPERATING EXPENSES	(34,893)	203	(34,690)	(17,635)	(835)	(18,470)
NET SURPLUS FROM INSURANCE OPERATIONS	8,605	-	8,605	9,466	-	9,466
Surplus to Shareholders operations (note (e))	(7,745)	7,745	-	(8,519)	8,519	-
TOTAL INCOME	860	7,948	8,808	947	7,684	8,631
Earnings per share (Expressed in SAR per share)	-	0.40	-	-	0.38	-

c) Interim statement of comprehensive income

	SAR '000					
	Three-month period ended June 30, 2018 – (Unaudited)			Three-month period ended June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Total income for the period	-	7,948	7,948	-	7,684	7,684
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	7,948	7,948	-	7,684	7,684

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Supplementary information (continued)

b) Interim statement of income (continued)

	SAR '000					
	Six-month period ended June 30, 2018 – (Unaudited)			Six-month period ended June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
<u>REVENUES</u>						
Gross premiums written	432,583	-	432,583	348,898	-	348,898
Reinsurance premiums ceded	(172,844)	-	(172,844)	(165,599)	-	(165,599)
Excess of loss expenses	(4,334)	-	(4,334)	(3,428)	-	(3,428)
Net premiums written	255,405	-	255,405	179,871	-	179,871
Changes in unearned premiums, net	(90,538)	-	(90,538)	(34,008)	-	(34,008)
Net premiums earned	164,867	-	164,867	145,863	-	145,863
Reinsurance commissions	37,029	-	37,029	41,459	-	41,459
Other underwriting income	226	-	226	231	-	231
TOTAL REVENUES	202,122	-	202,122	187,553	-	187,553
<u>UNDERWRITING COSTS AND EXPENSES</u>						
Gross claims paid and loss adjustment expenses	126,360	-	126,360	118,462	-	118,462
Reinsurers' share of claims paid	(41,070)	-	(41,070)	(35,971)	-	(35,971)
Net claims paid	85,290	-	85,290	82,491	-	82,491
Changes in outstanding claims, net	9,789	-	9,789	(96)	-	(96)
Changes in incurred but not reported, net	(3,910)	-	(3,910)	7,576	-	7,576
Net claims incurred	91,169	-	91,169	89,971	-	89,971
(Allowance for) / reversal of reinsurance reserves	(3,597)	-	(3,597)	1,461	-	1,461
Premium deficiency reserve	3,329	-	3,329	-	-	-
Additional unexpired risk reserve	3,027	-	3,027	-	-	-
Other technical reserves	2,127	-	2,127	-	-	-
Policy acquisition costs	32,905	-	34,905	35,801	-	35,801
TOTAL UNDERWRITING COSTS AND EXPENSES	128,960	-	128,960	127,233	-	127,233
NET UNDERWRITING INCOME	73,162	-	73,162	60,320	-	60,320

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19. Supplementary information (continued)

b) Interim statement of income (continued)

	SAR '000					
	Six-month period ended June 30, 2018 – (Unaudited)			Six-month period ended June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
OTHER OPERATING INCOME / (EXPENSES)						
Allowance for impairment for doubtful debts	(11,003)	-	(11,003)	(9,880)	-	(9,880)
General and administrative expenses	(42,441)	(2,585)	(45,026)	(30,526)	(3,510)	(34,036)
Commission income on deposits	1,590	239	1,829	813	419	1,232
Unrealized gain on investments	-	915	915	-	1,668	1,668
Realized gain on investments	-	-	-	-	118	118
Other income	7,613	-	7,613	6,711	-	6,711
TOTAL OTHER OPERATING EXPENSES	(44,241)	(1,431)	(45,672)	(32,882)	(1,305)	(34,187)
NET SURPLUS FROM INSURANCE OPERATIONS	28,921	-	28,921	27,438	-	27,438
Surplus to Shareholders operations (note (e))	(26,029)	26,029	-	(24,694)	24,694	-
TOTAL INCOME	2,892	24,598	27,490	2,744	23,389	26,133
Earnings per share (Expressed in SAR per share)	-	1.23	-	-	1.17	-

c) Interim statement of comprehensive income

	SAR '000					
	Six-month period ended June 30, 2018 – (Unaudited)			Six-month period ended June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Total income for the period	-	24,598	24,598	-	23,389	23,389
Other comprehensive income	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	24,598	24,598	-	23,389	23,389

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19. Supplementary information (continued)

d) Interim statement of cash flows

	SAR '000					
	Six-month period ended June 30, 2018 – (Unaudited)			Six-month period ended June 30, 2017 – (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	-	24,598	24,598	-	23,389	23,389
Adjustments for non-cash items:						
Income attributable to insurance operations	2,892	-	2,892	2,744	-	2,744
Depreciation of property and equipment	-	1,154	1,154	-	756	756
Shareholder share of surplus from insurance operations	26,029	(26,029)	-	24,694	(24,694)	-
Reversal of impairment allowance for doubtful premium receivable	12,777	-	12,777	10,410	-	10,410
Unrealized gain on investments	-	(915)	(915)	-	(1,668)	(1,668)
Realized gain on investments	-	-	-	-	(118)	(118)
Reversal of Allowance for doubtful reinsurance receivable	(1,774)	-	(1,774)	(530)	-	(530)
	39,924	(1,192)	38,732	37,318	(2,335)	34,983
<u>Changes in operating assets and liabilities:</u>						
Premiums receivable	(147,514)	-	(147,514)	(75,983)	-	(75,983)
Reinsurers' share of unearned premiums	(31,556)	-	(31,556)	(24,333)	-	(24,333)
Reinsurers' share of outstanding claims	(102,458)	-	(102,458)	(1,927)	-	(1,927)
Reinsurers' share of claims Incurred but not reported	6,828	-	6,828	(12,665)	-	(12,665)
Deferred policy acquisition costs	(6,552)	-	(6,552)	(1,928)	-	(1,928)
Due from reinsurers	1,302	-	1,302	10,728	-	10,728

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Supplementary information (continued)

d) Interim statement of cash flows (continued)

	SAR '000					
	Six-month period ended			Six-month period ended		
	June 30, 2018 – (Unaudited)			June 30, 2017 – (Unaudited)		
	Insurance operations	Share holders' operations	Total	Insurance operations	Share holders' operations	Total
Prepaid expenses and other assets	(8,047)	3,335	(4,712)	(4,797)	(2,070)	(6,867)
Policyholders claims payable	13,130	-	13,130	4,578	-	4,578
Accrued and other liabilities	6,432	(568)	5,864	173	787	960
Due to reinsurers, agents, brokers and third party administrators	45,233	-	45,233	39,857	-	39,857
Unearned premiums	122,094	-	122,094	58,341	-	58,341
Unearned reinsurance commission	7,017	-	7,017	1,272	-	1,272
Outstanding claims	112,247	-	112,247	1,830	-	1,830
Claims incurred but not reported	(10,738)	-	(10,738)	20,242	-	20,242
Premium deficiency reserve	3,329	-	3,329	-	-	-
Additional unexpired risk reserve	3,027	-	3,027	-	-	-
Due to shareholder operations	(44,520)	44,520	-	2,841	(2,841)	-
Other technical reserves	(1,470)	-	(1,470)	1,461	-	1,461
	7,708	46,095	53,803	57,008	(6,459)	50,549
Surplus paid to policy holders	(4,453)	-	(4,453)	-	-	-
Zakat and income tax paid net of recovery	-	(4,559)	(4,559)	-	(2,046)	(2,046)
Net cash generated from/(used in) operating activities	3,255	41,536	44,791	57,008	(8,505)	48,503
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions property and equipment	-	(8,450)	(8,450)	-	(639)	(639)
Investment income received	-	-	-	-	118	118
Net cash used in investing activities	-	(8,450)	(8,450)	-	(521)	(521)
Net change in cash and cash equivalents	3,255	33,086	36,341	57,008	(9,026)	47,982
Cash and cash equivalents, beginning of the period	225,907	43,652	269,559	144,120	51,537	195,657
Cash and cash equivalents, of the period	229,162	76,738	305,900	201,128	42,511	243,639
SUPPLEMENTAL SCHEDULE OF NON CASH INFORMATION						
Income tax receivable from foreign shareholders adjusted against prepaid expenses and other assets	-	2,021	2,021	-	1,350	1,350

WATANIYA INSURANCE COMPANY
(A Saudi Joint Stock Company)
Notes to the interim condensed financial statements (continued)
At June 30, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

19 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.

20 Comparative figures

Certain of the comparative figures have been reclassified and regrouped to conform to the in the current period presentation. These changes as summarised below, were mainly to conform with the SAMA requirements:

- As discussed in note 2 to these interim condensed financial statements, previously interim condensed statement of financial position, statement of income, and cash flows were presented separately for insurance operations and shareholders operations, which are now combined together to present the Company level interim condensed statement of financial position, statement of income and statement of cash flows.
- The amounts "due to/from" shareholders and insurance operations which previously reported separately in the respective statement of financial position, are now eliminated. (refer note 19).
- Share of insurance operations surplus split in the ratio of 90/10 between shareholders and insurance operations and presented separately is now presented as an expense in statement of income (refer note 19).

21 Approval of the interim condensed financial statements

These interim condensed financial statements have been approved by the Board of Directors on July 26, 2018.