

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

**MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

UNDAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and six-month periods ended 30 June 2023

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF MALATH COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Malath Cooperative Insurance Company (the "Company") as of 30 June 2023, and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed statement of changes in equity and interim condensed statement of cash flows for the six-month period then ended, and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement ("ISRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

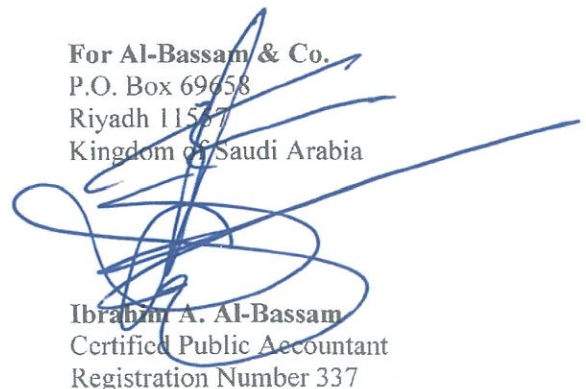
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Certified Public Accountant
Registration Number 337

Date: 17 August 2023

Corresponding to: 1 Safar 1445H

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MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(All amounts in thousands Saudi Riyals unless otherwise stated)

As at 30 June 2023

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Unaudited) Restated	1 January 2022 (Unaudited) Restated
ASSETS				
Cash and cash equivalents	5	110,150	338,139	479,373
Murabaha deposits	6	332,302	154,140	129,075
Reinsurance contract assets	7.2	128,314	127,860	105,907
Investments	8	221,809	206,982	217,817
Prepayments and other assets		113,292	93,061	36,404
Property and equipment		3,368	4,114	4,846
Statutory deposit		74,986	74,986	74,986
Accrued commission income on statutory deposit		13,127	10,778	10,167
TOTAL ASSETS		997,348	1,010,060	1,058,575
LIABILITIES				
Accrued expenses and other liabilities		35,593	31,825	37,101
Insurance contract liabilities	7.1	499,411	574,067	581,065
Provision for employees' end-of-service benefits		17,656	17,149	20,154
Provision for zakat	9	26,087	23,631	17,252
Accrued commission income payable to SAMA		13,127	10,778	10,167
TOTAL LIABILITIES		591,874	657,450	665,739
EQUITY				
Share capital	10	500,000	500,000	500,000
Statutory reserve	12	2,131	2,131	2,131
Accumulated losses		(122,215)	(174,543)	(134,200)
Investments fair value reserve		34,431	33,895	35,581
Re-measurement losses on defined benefit plans		(8,873)	(8,873)	(10,676)
TOTAL EQUITY		405,474	352,610	392,836
TOTAL LIABILITIES AND EQUITY		997,348	1,010,060	1,058,575
COMMITMENTS AND CONTINGENCIES	15			

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF INCOME

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the three-month and six-month periods ended 30 June 2023

	Notes	Three-months period ended 30 June		Six-months period ended 30 June	
		2023 (Unaudited)	2022 (Unaudited) Restated	2023 (Unaudited)	2022 (Unaudited) Restated
REVENUES					
Insurance service revenue	7.1	245,218	244,547	484,863	481,307
Insurance Service Expenses	7.1	(204,089)	(249,281)	(415,511)	(525,487)
Insurance service result before reinsurance contracts held		41,129	(4,734)	69,352	(44,180)
Allocation of reinsurance premiums	7.2	(13,932)	(14,428)	(26,730)	(27,368)
Amounts recoverable from reinsurance	7.2	(19,844)	4,072	5,984	13,851
Net expenses from reinsurance contracts held		(33,776)	(10,356)	(20,746)	(13,517)
Insurance service result		7,353	(15,090)	48,606	(57,697)
Investment income on financial assets at amortised cost		5,562	6,805	10,835	13,476
Investment income on financial assets at FVTPL		5,763	(1,168)	11,462	5,955
Net credit impairment losses on financial assets		-	-	(24)	(37)
Other investment income		-	-	-	1,640
Net investment income		11,325	5,637	22,273	21,034
Finance expenses from insurance contracts issued	7.1	(3,985)	(1,182)	(7,852)	(2,351)
Finance income from reinsurance contracts held	7.2	850	529	1,774	1,041
Net insurance finance expenses		(3,135)	(653)	(6,078)	(1,310)
Net insurance and investment result		15,543	(10,106)	64,801	(37,973)
OTHER INCOME / (EXPENSES)					
Other operating expenses		(7,757)	(5,292)	(11,172)	(11,002)
Other income		3,609	(249)	8,591	86
TOTAL OTHER INCOME / (EXPENSES)		(4,148)	(5,541)	(2,581)	(10,916)
Net income / (loss) for the period		11,395	(15,647)	62,220	(48,889)
Surplus attributed to insurance operations		(952)	-	(5,392)	-
Net income / (loss) attributable to shareholders before zakat		10,443	(15,647)	56,828	(48,889)
Zakat charge for the period	9	(2,250)	(3,250)	(4,500)	(6,500)
Net income / (loss) attributable to shareholders' operations		8,193	(18,897)	52,328	(55,389)
Earnings / (loss) per share					
Basic and diluted earnings per share		0.16	(0.38)	1.05	(1.11)
Weighted average number of shares issued throughout the period (thousands)		50,000	50,000	50,000	50,000

CHIEF FINANCIAL OFFICER

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the three-month and six-month periods ended 30 June 2023

	Three-months period ended 30 June		Six-months period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) Restated	2023 (Unaudited)	2022 (Unaudited) Restated
Net income / (loss) attributable to shareholders' operations	8,193	(18,897)	52,328	(55,389)
Other comprehensive income:				
<i>Items that will not be recycled to statements of income in subsequent years</i>				
Change in fair value of financial investments at FVTOCI	246	(1,418)	536	(461)
Total other comprehensive income for the period	246	(1,418)	536	(461)
Total comprehensive income / (loss) for the period	8,439	(20,315)	52,864	(55,850)

CHIEF FINANCIAL OFFICER

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**MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the six-month period ended 30 June 2023

	Share capital	Statutor y reserve	Accumulate d losses	Investments fair value reserve	Re- measurement losses on defined benefit plans	Total equity
2023						
Restated balance at 1 January 2023 (Unaudited) (Note 4)	500,000	2,131	(174,543)	33,895	(8,873)	352,610
Net income for the period	-	-	52,328	-	-	52,328
Change in fair value of financial investments at FVTOCI	-	-	-	536	-	536
Total comprehensive income	-	-	52,328	536	-	52,864
Balance at 30 June 2023 (Unaudited)	500,000	2,131	(122,215)	34,431	(8,873)	405,474
2022						
Balance at 31 December 2021 (Audited)	500,000	2,131	(120,408)	529	(10,676)	371,576
Impact on initial application of IFRS 17 (Note 4)	-	-	(15,147)	-	-	(15,147)
Impact on initial application of IFRS 9 (Note 4)	-	-	1,355	35,052	-	36,407
Restated balance at 1 January 2022 (unaudited)	500,000	2,131	(134,200)	35,581	(10,676)	392,836
Net loss for the period	-	-	(55,389)	-	-	(55,389)
Change in fair value of financial investments at FVTOCI	-	-	-	(461)	-	(461)
Total comprehensive loss	-	-	(55,389)	(461)	-	(55,850)
Balance at 30 June 2022 (Unaudited)	500,000	2,131	(189,589)	35,120	(10,676)	336,986

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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**MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED STATEMENT OF CASH FLOWS

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the six-month period ended 30 June 2023

		Six-months period ended 30 June	
		2023	2022
			(Unaudited)
Notes	(Unaudited)		Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period before zakat		56,828	(48,889)
Adjustments for non-cash items:			
Other investment income		-	(1,640)
Depreciation of property and equipment		1,017	949
Investment income on financial assets at FVTPL		(11,462)	(5,955)
Finance expenses from insurance contracts issued	7.1	7,852	2,351
Finance income from reinsurance contracts held	7.2	(1,774)	(1,041)
Net credit impairment losses on financial assets		24	15
Provision for employees' end-of-service benefits		1,884	1,961
Changes in operating assets and liabilities:			
Reinsurance contract assets		(454)	17,156
Prepayments and other assets		(20,231)	26,375
Accrued expenses and other liabilities		3,768	(14,088)
Insurance contract liabilities		(82,508)	13,272
Cash used in operations		(45,056)	(9,534)
Zakat paid		(2,044)	(3,910)
Employees' end-of-service benefits paid		(1,377)	(2,755)
Net cash used in operating activities		(48,477)	(16,199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net placement to Murabaha deposits		(178,162)	(100,712)
Net (addition to) / proceeds from financial assets		(1,079)	6,884
Addition to property and equipment		(271)	(559)
Net cash used in investing activities		(179,512)	(94,387)
Net change in cash and cash equivalents		(227,989)	(110,586)
Cash and cash equivalents at the beginning of the period	5	338,139	479,373
Cash and cash equivalents at the end of the period	5	110,150	368,787
Supplemental non-cash information:			
Change in fair value of financial investments at FVTOCI		536	(461)
Commission income on statutory deposit		2,349	278

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

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**MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Malath Cooperative Insurance Company (the “Company”) is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/60 and incorporated on 21 Rabi Al-Awal 1428H corresponding to 9 April 2007 under Commercial Registration No. 1010231787. The Company’s head office is situated at Mohammad Bin Abdelaziz Street, P.O. Box 99763, Riyadh 11625, and Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and related services in accordance with its by-laws and the applicable regulations in the Kingdom of Saudi Arabia (KSA).

2 BASIS OF PREPARATION

(a) Statement of compliance

The interim condensed financial statements have been prepared in accordance with ‘International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organisation for Chartered and Professional Accountants (“SOCPA”). This is the first set of the Company’s interim condensed financial statements in which IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” as endorsed in Kingdom of Saudi Arabia have been applied and the resultant changes to the significant accounting policies are described in Note 3.

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement of investments at their fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI) and liabilities for defined benefit obligations [Employees’ end of service benefits (“EOSBs”)] recorded at the present value using the projected unit credit method. the Company’s interim condensed statement of financial position is presented in order of liquidity. The current and non-current classification of the assets and liabilities have not changed since the year ended 31 December 2022.

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 31 December 2022. The risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2022 except as mentioned in note 4.

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

In preparing the Company-level interim condensed financial statements in compliance with IFRSs as endorsed in KSA, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders’ operations. Inter-operation balances and transactions are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for like transactions and events in similar circumstances.

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023

2 BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR), which is also the functional currency of the Company. All financial information has been rounded off to the nearest thousand, unless otherwise stated.

(d) Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following are the accounting judgments and estimates that are critical in preparation of these interim condensed financial statements:

Insurance Contracts

The company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The measurement of these insurance contracts also requires significant judgement and estimates. These significant judgement and estimates include risk adjustment ("RA") and liability for incurred claims – estimate of future cash flows. Refer to note 3 for further details.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Judgment is required, particularly where the Company owns shareholding and voting rights and existence of significant indulgence by evidence in one or more of the following ways :

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes.
- (c) material transactions between the entity and its investee;
- (d) interchange of managerial personnel; or
- (e) provision of essential technical information

**MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023**

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 31 December 2022 except as mentioned below.

IFRS 17 Insurance Contracts

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 31 December 2022 except as mentioned below and in note 3(b): a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Amendments to IFRS 3 Reference to the Conceptual Framework These amendments had no impact on the interim condensed financial statements of the Company. b) Significant accounting policies, including key judgments and estimates i) IFRS 17 – accounting policies, including key judgments and estimates.

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features (“DPF”). the Company has applied the full retrospective approach to each group of insurance contracts. the Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Cash flows from insurance contracts are split into Liability for Incurred Claims (“LIC”) and Liability for Remaining Coverage (“LRC”).

Unit of account and measurement model

All insurance contracts within segment line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (quarter cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. the Company uses judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

**MALATH COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:

Discounted estimates of future cash flows.; and

A risk adjustment which is the compensation required for bearing uncertainty; and

Contractual service margin which is the unearned profit that is recognized as services are provided

The premium allocation approach (“PAA”) is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company uses the PAA for measuring contracts with a coverage period of one year or less. the Company is adopting the PAA measurement model for the measurement of LRC for the whole PMI business. This is principally based on the eligibility test for fulfillment cash flows and that coverage period for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

Initial and subsequent measurement of groups of insurance contracts issued are initially recognized from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Company determines that a group of contracts becomes onerous.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the fulfillment cash flows (“FCF”) related to past service allocated at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;

**MALATH COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

- b) decreased for insurance acquisition cash flows paid in the period;
- c) decreased for the amounts of expected premium receipts recognized as insurance revenue for the services provided in the period; and
- d) increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses.

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both). The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on management's assessment, there are no investment components within insurance contracts issued.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

The Company holds quota share reinsurance contract that provide coverage on insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model. For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The Company is presenting income/ expense from reinsurance as a net line item in the interim condensed statement of income.

Liability for Incurred Claims "LIC" the Company estimates the liability for incurred claims and expenses as the fulfillment cash flows related to incurred claims and expenses. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash flows, within the contract boundary of a group of contracts, that will arise as the entity fulfill its obligation under the insurance contracts, including a risk adjustment for non-financial risk. the Company presents the entire change in risk adjustment as part of insurance service results.

The Company establishes insurance claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported ("IBNR") and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

**MALATH COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2023**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as claim type.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

the Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less. Likewise, the Company has decided not to discount the LIC for the time value of money as most of the claims incurred are expected to be settled within a 12-month period. An insignificant portion of the LIC is expected to be carried over beyond 12 months, with an immaterial impact on LIC and statement of income. the Company will regularly monitor the time it takes in settling claims from the date they are incurred.

Contract boundary

the Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- a. the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b. both of the following criteria are satisfied:
 - i. the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance and financial risks, are considered; other risks, such as lapse or surrender and expense risk, are not included. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all of the cash flows within its boundary. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Insurance acquisition costs and directly attributable expenses

Insurance acquisition cash flows are the costs that are directly associated with selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to a portfolio of insurance contracts.

Directly attributable expenses are the costs that can be fully or partially attributed to the fulfillment of the insurance contracts. the Company allocates the attributable costs based on a number of drivers.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses. the Company amortizes the insurance acquisition costs over the contract period.

Other operating expenses

Other operating expenses include non-attributable expenses which are administrative expenses and are not linked to insurance contracts.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. the Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. The impact of seasonality is not considered material in relation to recording the insurance revenue.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses

Insurance service expenses include the following:

- a. incurred claims for the period.
- b. other incurred directly attributable expenses.
- c. insurance acquisition cash flows amortization.
- d. changes that relate to past service – changes in the FCF relating to the LIC.
- e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the interim condensed statement of income in insurance service expense. The loss component is then amortized to condensed interim statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

i) IFRS 17 – accounting policies, including key judgments and estimates (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as fulfilment insurance contracts. It has been chosen a confidence level of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

ii) IFRS 9 – accounting policies, including key judgments and estimates.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For transition to IFRS 9, the Company applied a retrospective approach to be in line with transition option adopted under IFRS 17 while applying the relevant practical expedients under IFRS 9.

Financial assets

Classification On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

Financial assets at amortized cost

Debt Instruments:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

The asset is held within a business model whose objective is achieved by collecting contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

the asset is held within a business model whose objective is achieved by both collecting contractual cash the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in Other Comprehensive Income (OCI). Interest income and foreign exchange gains and losses are recognized in the statement of income.

For an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis on initial recognition.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates.

Financial assets at FVTPL

All other financial assets are classified measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the application of those policies in practice.

whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.

how the performance of the portfolio is evaluated and reported to the Company's management.

the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed

how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

For the purpose of the assessment of whether contractual cash flows are solely payments of principal and interest, principal is the fair value of the financial asset on initial recognition. Interest is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with profit margin.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in condensed interim statement of income and presented in other gains/(losses) together with foreign exchange gains and losses.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in condensed interim statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to condensed interim statement of income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the condensed interim statement of income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised.

Changes in the fair value of financial assets at FVTPL are recognised in investment income in the condensed interim statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value interim statement of income as investment income when the Company's right to receive payments is established.

Overview of Expected Credit Loss ("ECL") principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. Lifetime expected credit losses represent ECL that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those life expected credit losses expected to occur within 12 months of balance sheet date. Both lifetime ECLs and 12-month ECLs will be calculated on an individual basis depending on the nature of the underlying portfolio of financial instruments.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates.

The Company recognizes an impairment allowances for ECL on the following financial instruments that are not measured at fair value

Financial assets that are debt instruments

Deposits and bank balances

Other receivables balance

No impairment loss is recognized on equity instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

debt investment securities that are determined to have low credit risk at the reporting date; and

Other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers debt securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The measurement of ECL for other receivables is carried out using the simplified ECL impairment model and is determined by using a matrix which uses historical credit loss experience of the Company.

Staging of financial asset

The Company categorizes its investments portfolio classified as amortized cost and FVOCI into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1 - Performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;

Stage 2 - Underperforming financial assets for which there has been a significant deterioration in credit quality since initial recognition, but which are not credit-impaired; and

Stage 3 - Non-performing financial assets for which there has been a significant deterioration in credit quality since initial recognition and which have become credit-impaired.

Credit impaired financial asset

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (more than 90 days);
- it is becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates.

Financial assets – Impairment (continued)

• The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Definition of default

In assessing whether an issuer is in default, the Company considers indicators that are:

- qualitative- e.g., breaches of covenant.
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

ECL methodology and measurement

ECL is computed based on the parameters namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) values. ECL is discounted by an appropriate rate to get the Present Value of ECL.

For the investment portfolio, a generalized approach is used, where assets are classified under 3 different stages based on the SICR criteria: Stage 1, Stage 2, and Stage 3 where 12-month ECL is computed for Stage 1 and lifetime ECL for Stage 2 and Stage 3. For other receivable portfolio, a simplified approach is used, for which staging is not required, based on a lifetime ECL computation.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Probability of Default ('PD')

The probability of default is an estimate of the likelihood of default over a given time horizon.

Loss Given Default ('LGD')

Loss given default inputs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data.

Exposure at Default ('EAD')

The exposure at default is an estimate of the exposure at a future default date.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting policies, including key judgments and estimates (continued)

ii) IFRS 9 – accounting policies, including key judgments and estimates.

ECL methodology and measurement (continued).

While estimating the ECL, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyzes the relationship between key economic trends with the estimate of PD. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on reports from economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private-sector and academic forecasters. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Financial liabilities

Classification and derecognition of financial liabilities:

The Company classifies its financial liabilities, other than financial guarantees if any, as measured at Amortized cost. Amortized cost is calculated by considering any discount or premium and costs that are an integral part of the Effective Interest Rate. A liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of income. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9

As stated in note 2, this is the Company's first interim condensed financial statements prepared in accordance with the requirements of IFRS 17 and IFRS 9.

The accounting policies set out in note 3 have been applied in preparing the interim condensed financial statements for the period ended 30 June, 2023 and 30 June, 2022 and in the preparation of an opening IFRS 17 and IFRS 9 statement of financial position at 1 January, 2022 (the Company's date of transition) and 31 December 2022.

In preparing its opening IFRS 17 and IFRS 9 statement of financial position, the Company has adjusted amounts reported previously in financial statements under IFRS 4 and IAS 39.

Reclassification impact on the interim condensed statement of financial position on adoption of IFRS 17

Presentation changes in the interim condensed statement of financial position are introduced by IFRS 17. The previously reported line items: premiums receivable - net, deferred policy acquisition costs, insurance operations' surplus payable, unearned premiums, outstanding claims, claims incurred but not reported, premium deficiency reserve, claims handling reserve are presented together by portfolio on a single line called insurance contract liabilities. The previously reported line items: reinsurers' share of unearned premiums, reinsurers' share of outstanding claims, reinsurers' share of claims incurred but not reported, reinsurers' balances payable are presented together by portfolio on a single line called reinsurance contract assets or liabilities.

Presentation is driven by portfolios which are composed of groups of contracts covering similar risks and which are managed together. Portfolios of insurance and reinsurance contracts are presented separately

Remeasurement impact on the interim condensed statement of financial position on adoption of IFRS 17

Impact on Equity:

Drivers of Changes in Equity	Impact on equity on transition to IFRS 17 on 1 January 2022
Changes in measurement of insurance contract liabilities	(23,459)
Changes in measurement of reinsurance contract assets	8,312
Total Impact	(15,147)

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Remeasurement impact on the interim condensed statement of financial position on adoption of IFRS 17

Impact on liabilities:

Drivers of Changes in insurance contracts liabilities	Impact on liabilities on transition to IFRS 17 on 1 January 2022
Risk adjustment	15,356
Loss component on onerous contracts	7,150
Discounting impact	(2,899)
Others	3,852
Total Impact	23,459

Impact on assets:

Drivers of Changes in reinsurance contracts assets	Impact on assets on transition to IFRS 17 on 1 January 2022
Risk adjustment	8,094
Discounting impact	(943)
Others	1,161
Total Impact	8,312

Reclassification impact on the interim condensed statement of financial position on adoption of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities, inclusive of the expected credit losses, as at 1 January 2022

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

a) Classification and Measurement of financial instruments

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial Assets				
Cash and cash equivalents	Amortised cost	479,381	Amortised cost	479,373
Murabaha deposits	Amortised cost	129,113	Amortised cost	129,075
<u>Available for sale investments</u>				
Equity Securities	AFS	59,762	FVTPL	59,762
Funds	AFS	96,604	FVTPL	96,604
Equity Securities	AFS	5,260	FVTOCI	41,757
Sukuks	Held to Maturity	7,494	FVTPL	7,494
<u>Held to maturity investment</u>				
Investment in Sukuks	Held to Maturity	12,230	Amortised cost	12,200
<u>Statutory Deposit</u>	Amortised cost	75,000	Amortised cost	74,986
Total financial assets		864,844		901,251

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

b) Reconciliation of statement of financial position from IAS 39 to IFRS 9

	IAS 39 carrying amount	Reclassification	Remeasurement	IFRS 9 carrying amount
	31 December 2021			1 January 2022
<i>Cash and cash equivalents</i>				
Opening balance	479,381	-	-	479,381
Remeasurement: ECL allowance	-	-	(8)	(8)
	479,381	-	(8)	479,373
<i>Murabaha Deposits</i>				
Opening balance	129,113	-	-	129,113
Remeasurement: ECL allowance	-	-	(38)	(38)
	129,113	-	(38)	129,075
<i>Available for sale financial assets</i>				
Opening balance	161,626	-	-	161,626
To: Investments measure at FVTPL	-	(120,421)	-	(120,421)
To: Investments measure at FVTOCI	-	(16,205)	-	(16,205)
To: Investments measure at amortised cost	-	(25,000)	-	(25,000)
	161,626	(161,626)	-	-

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

b) Reconciliation of statement of financial position from IAS 39 to IFRS 9 (continued)

	<u>IAS 39 carrying 31 December 2021</u>	<u>Reclassification</u>	<u>Remeasurement</u>	<u>IFRS 9 carrying amount 1 January 2022</u>
<i>Investments measured at FVTPL</i>				
Opening balance	-	-	-	-
From: Available for sale financial assets	-	120,421	-	120,421
	<u>-</u>	<u>120,421</u>	<u>-</u>	<u>120,421</u>
<i>Investments measured at FVTOCI</i>				
Opening balance	-	-	-	-
From: Available for sale financial assets	-	16,205	36,497	52,702
	<u>-</u>	<u>16,205</u>	<u>36,497</u>	<u>52,702</u>
<i>Investments measured at amortised cost</i>				
Opening balance	19,724	-	-	19,724
From: Available for sale financial assets	-	25,000	(10)	24,990
Remeasurement: ECL allowance	-	-	(20)	(20)
	<u>19,724</u>	<u>25,000</u>	<u>(30)</u>	<u>44,694</u>
<i>Statutory Deposits as Amortised cost</i>				
Opening balance	75,000	-	-	75,000
Remeasurement: ECL allowance	-	-	(14)	(14)
	<u>75,000</u>	<u>-</u>	<u>(14)</u>	<u>74,986</u>

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Reconciliation of interim condensed statement of financial position as at 1 January 2022.

	1 January 2022 (Unaudited)						Restated As at January 1, 2022
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Other remeasurement	
		Reclassification	Remeasurement	Reclassification	Remeasurement		
ASSETS							
Cash and cash equivalents	479,381	-	-	-	(8)	-	479,373
Murabaha deposits	129,113	-	-	-	(38)	-	129,075
Premiums and reinsurers' receivable - net	218,884	(218,884)	-	-	-	-	-
Reinsurers' share of unearned premiums	14,487	(14,487)	-	-	-	-	-
Reinsurers' share of outstanding claims	90,130	(90,130)	-	-	-	-	-
Reinsurers' share of claims incurred but not reported	20,802	(20,802)	-	-	-	-	-
Deferred policy acquisition costs	25,618	(25,618)	-	-	-	-	-
Deferred excess of loss premiums	83	(83)	-	-	-	-	-
Reinsurance contracts asset	-	97,707	8,200	-	-	-	105,907
Financial assets at FVTPL	-	-	-	163,860	-	-	163,860
Financial assets at FVTOCI	-	-	-	5,260	36,497	-	41,757
Financial assets at amortised cost – net	-	-	-	12,230	(30)	-	12,200
Available-for-sale investments	161,626	-	-	(161,626)	-	-	-
Investment held to maturity	19,724	-	-	(19,724)	-	-	-
Prepayments and other assets	104,857	(68,453)	-	-	-	-	36,404
Property and equipment	4,846	-	-	-	-	-	4,846
Statutory deposit	75,000	-	-	-	(14)	-	74,986
Accrued commission income on statutory deposit	10,167	-	-	-	-	-	10,167
TOTAL ASSETS	1,354,718	(340,750)	8,200	-	36,407	-	1,058,575

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Reconciliation of interim condensed statement of financial position as at 1 January 2022.

	1 January 2022 (Unaudited)						Restated As at January 1, 2022
	Pre-adoption of IFRS 17 &	IFRS 17 Reclassification	IFRS 17 Remeasurement	IFRS 9 Reclassification	IFRS 9 Remeasurement	*Other remeasurement	
LAIBILITIES							
Policyholders claims payable	81,913	(81,913)	-	-	-	-	-
Accrued expenses and other liabilities	94,763	(57,662)	-	-	-	-	37,101
Reinsurance balances payable	25,809	(25,809)	-	-	-	-	-
Unearned premiums	427,085	(427,085)	-	-	-	-	-
Unearned reinsurance commission	3,488	(3,488)	-	-	-	-	-
Outstanding claims	59,549	(59,549)	-	-	-	-	-
Claims incurred but not reported (IBNR)	209,110	(209,110)	-	-	-	-	-
Additional premium reserve	28,412	(28,412)	-	-	-	-	-
Other technical reserves	4,432	(4,432)	-	-	-	-	-
Insurance contract liabilities	-	558,028	23,037	-	-	-	581,065
Employees' end-of-service benefits	20,154	-	-	-	-	-	20,154
Provision for zakat	17,252	-	-	-	-	-	17,252
Surplus distribution payable	1,008	(1,008)	-	-	-	-	-
Accrued commission income payable to SAMA	10,167	-	-	-	-	-	10,167
TOTAL LIABILITIES	983,142	(340,440)	23,037	-	-	-	665,739
EQUITY							
Share capital	500,000	-	-	-	-	-	500,000
Statutory reserve	2,131	-	-	-	-	-	2,131
Accumulated losses	(120,408)	-	(15,147)	1,445	(90)	-	(134,200)
Investments fair value reserve	529	-	-	(1,445)	36,497	-	35,581
Re-measurement reserve of defined benefit obligation	(10,676)	-	-	-	-	-	(10,676)
TOTAL EQUITY	371,576	-	(15,147)	-	36,407	-	392,836
TOTAL LIABILITIES AND EQUITY	1,354,718	(340,440)	7,890	-	36,407	-	1,058,575

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For the three-month and six-month periods ended 30 June 2023

4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Reconciliation of interim condensed statement of financial position as at 31 December 2022.

	31 December 2022 (Unaudited)						Restated As at December 31, 2022
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Other remeasurement	
		Reclassification	Remeasurement	Reclassification	Remeasurement		
ASSETS							
Cash and cash equivalents	342,270	-	-	-	(3)	(4,128)	338,139
Murabaha deposits	155,126	-	-	-	(37)	(949)	154,140
Premiums and reinsurers' receivable - net	246,395	(246,395)	-	-	-	-	-
Reinsurers' share of unearned premiums	20,683	(20,683)	-	-	-	-	-
Reinsurers' share of outstanding claims	130,493	(130,493)	-	-	-	-	-
Reinsurers' share of claims incurred but not reported	9,197	(9,197)	-	-	-	-	-
Deferred policy acquisition costs	29,434	(29,434)	-	-	-	-	-
Deferred excess of loss premiums	92	(92)	-	-	-	-	-
Reinsurance contracts asset	-	121,234	6,625	-	-	-	127,860
Financial assets at FVTPL	-	-	-	148,691	-	-	148,691
Financial assets at FVTOCI	-	-	-	17,336	25,784	-	43,120
Financial assets at amortised cost – net	-	-	-	15,205	(34)	-	15,171
Available-for-sale investments	158,533	-	-	(158,533)	-	-	-
Investment held to maturity	22,699	-	-	(22,699)	-	-	-
Prepayments and other assets	167,301	(74,240)	-	-	-	-	93,061
Property and equipment	4,114	-	-	-	-	-	4,114
Statutory deposit	75,000	-	-	-	(14)	-	74,986
Accrued commission income on statutory deposit	10,778	-	-	-	-	-	10,778
TOTAL ASSETS	1,372,115	(389,299)	6,625	-	25,696	(5,077)	1,010,060

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4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Reconciliation of interim condensed statement of financial position as at 31 December 2022.

	31 December 2022 (Unaudited)						Restated As at December 31, 2022
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Other remeasurement	
		Reclassification	Remeasurement	Reclassification	Remeasurement		
LAIBILITIES							
Policyholders claims payable	72,305	(72,305)	-	-	-	-	-
Accrued expenses and other liabilities	118,429	(86,604)	-	-	-	-	31,825
Reinsurance balances payable	38,973	(38,973)	-	-	-	-	-
Unearned premiums	420,888	(420,888)	-	-	-	-	-
Unearned reinsurance commission	4,686	(4,686)	-	-	-	-	-
Outstanding claims	75,520	(75,520)	-	-	-	-	-
Claims incurred but not reported (IBNR)	243,285	(243,285)	-	-	-	-	-
Additional premium reserve	4,985	(4,985)	-	-	-	-	-
Other technical reserves	4,028	(4,028)	-	-	-	-	-
Insurance contract liabilities	-	561,614	12,453	-	-	-	574,067
Employees' end-of-service benefits	17,149	-	-	-	-	-	17,149
Provision for zakat	23,631	-	-	-	-	-	23,631
Surplus distribution payable	1,008	(1,008)	-	-	-	-	-
Accrued commission income payable to SAMA	10,778	-	-	-	-	-	10,778
TOTAL LIABILITIES	1,035,665	(390,668)	12,453	-	-	-	657,450
EQUITY							
Share capital	500,000	-	-	-	-	-	500,000
Statutory reserve	2,131	-	-	-	-	-	2,131
Accumulated losses	(148,723)	-	(9,536)	(16,196)	(88)	-	(174,543)
Investments fair value reserve	(7,513)	-	-	15,624	25,784	-	33,895
Re-measurement reserve of defined benefit obligation	(9,445)	-	-	572	-	-	(8,873)
TOTAL EQUITY	336,450	-	(9,536)	-	25,696	-	352,610
TOTAL LIABILITIES AND EQUITY	1,372,115	(390,668)	2,917	-	25,696	-	1,010,060

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For the three-month and six-month periods ended 30 June 2023

4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Remeasurement impact on interim condensed statement of comprehensive income on adoption of IFRS 17 for the period ended 30 June 2022.

	30 June 2022 (Unaudited)						Restated
	Pre-adoption of IFRS 17 &	IFRS 17 Reclassification	IFRS 17 Remeasurement	IFRS 9 Reclassification	IFRS 9 Remeasurement	*Other remeasurement	
REVENUES							
Gross premiums written	483,899	(483,899)	-	-	-	-	-
Reinsurance premiums ceded	(44,015)	44,015	-	-	-	-	-
Excess of loss expenses	(4,031)	4,031	-	-	-	-	-
Net premiums written	435,853	(435,853)	-	-	-	-	-
						-	
Movement in unearned premiums, net	11,324	(11,324)	-	-	-	-	-
Net premiums earned	447,177	(447,177)	-	-	-	-	-
						-	
Reinsurance commissions	7,073	(7,073)	-	-	-	-	-
Other underwriting income	1,850	(1,850)	-	-	-	-	-
NET REVENUES	456,100	(456,100)	-	-	-	-	-
Insurance revenue	-	484,067	(2,760)	-	-	-	481,307
Insurance service expense and finance cost	-	(501,718)	(26,120)	-	-	-	(527,838)
Net insurance service result	-	(17,651)	(28,880)	-	-	-	(46,531)
Allocation of reinsurance premiums	-	(27,368)	-	-	-	-	(27,368)
Amounts recoverable from reinsurance and finance income	-	14,552	340	-	-	-	14,892
Net expenses from reinsurance contracts held	-	(12,816)	340	-	-	-	(12,476)

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For the three-month and six-month periods ended 30 June 2023

4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Remeasurement impact on interim condensed statement of comprehensive income on adoption of IFRS 17 for the period ended 30 June 2022

	30 June 2022 (Unaudited)						
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Other remeasurement	Restated
		Reclassification	Remeasurement	Reclassification	Remeasurement		
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(384,325)	384,325	-	-	-	-	-
Reinsurers' share of claims paid	4,124	(4,124)	-	-	-	-	-
Net claims paid	(380,201)	380,201	-	-	-	-	-
Movement in outstanding claims, net	(13,898)	13,898	-	-	-	-	-
Movement in claims incurred but not reported, net	(8,430)	8,430	-	-	-	-	-
Movement in additional premium reserve	7,725	(7,725)	-	-	-	-	-
Movement in other technical reserves	(437)	437	-	-	-	-	-
Net claims incurred	(395,241)	395,241	-	-	-	-	-
Policy acquisition costs	(32,804)	32,804	-	-	-	-	-
Other underwriting expenses	(17,277)	17,277	-	-	-	-	-
Total underwriting costs	(445,322)	445,322	-	-	-	-	-
Investment income on financial assets at amortised cost	-	-	-	13,476	-	-	13,476
Investment income on financial assets at FVTPL	-	-	-	5,955	-	-	5,955
Net credit impairment losses on financial assets	-	-	-	-	(37)	-	(37)
Other investment income	-	-	-	1,640	-	-	1,640
Net investment income	-	-	-	21,071	(37)	-	21,034
Net insurance and investment result	-	(41,245)	(28,540)	21,071	(37)	-	(37,973)

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For the three-month and six-month periods ended 30 June 2023

4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Remeasurement impact on interim condensed statement of comprehensive income on adoption of IFRS 17 for the period ended 30 June 2022. (continued)

	30 June 2022 (Unaudited)						Restated
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Other remeasurement	
		Reclassification	Remeasurement	Reclassification	Remeasurement		
OTHER INCOME / (EXPENSES)							
Provision for doubtful debts	(2,160)	2,160	-	-	-	-	-
Salaries and staff related costs	(40,653)	40,653	-	-	-	-	-
Other general and administrative expenses	(24,290)	24,290	-	-	-	-	-
Investment income	19,541	(19,541)	-	-	-	-	-
Share of profit from investment in associate	11,762	(11,762)	-	-	-	-	-
Other income	86	-	-	-	-	-	86
Other operating expenses	-	(11,002)	-	-	-	-	(11,002)
Total other expenses, net	(35,714)	24,798	-	-	-	-	(10,916)
Net income loss for the period	(24,936)	(16,447)	(28,540)	21,071	(37)	-	(48,889)
Net loss attributable to shareholders before zakat	(24,936)	(16,447)	(28,540)	21,071	(37)	-	(48,889)
Zakat charge for the period	(6,500)	-	-	-	-	-	(6,500)
Net loss attributable to shareholders' operations	(31,436)	(16,447)	(28,540)	21,071	(37)	-	(55,389)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

4 CHANGE IN ACCOUNTING POLICIES AND TRANSITION TO IFRS 17 AND IFRS 9 (continued)

Remeasurement impact on interim condensed statement of comprehensive income on adoption of IFRS 17 for the period ended 30 June 2022. (continued)

	Pre-adoption of IFRS 17 &	30June 2022 (Unaudited)					Restated
		IFRS 17		IFRS 9		*Other remeasurement	
		Reclassification	Remeasurement	Reclassification	Remeasurement		
Net loss for the period attributable to shareholders	(31,436)	(16,447)	(28,540)	21,071	(37)	-	(55,389)
Items that will be recycled to statements of income in subsequent years							
Change in fair value of available-for-sale investments, net	(1,629)	-	-	1,629	-	-	-
Items that will not be recycled to statements of income in subsequent years							
Change in fair value of financial investments at FVTOCI	-	-	-	(461)	-	-	(461)
Re-measurement loss on end of service benefits from investment in associate	(572)	-	-	572	-	-	-
Total other comprehensive income for the period	(2,201)	-	-	1,740	-	-	(461)
Total comprehensive loss for the period	(33,637)	(16,447)	(28,540)	22,811	(37)	-	(55,850)

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NOTES TO THE FINANCIAL STATEMENTS

For the six-months periods ended 30 June 2023

5 CASH AND CASH EQUIVALENTS

	June 30 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Cash in banks	38,068	171,164	37,074
Cash on hand	19	19	19
Short term murabaha deposits	20,546	65,435	170,726
Less: Impairment allowance	(2)	(2)	(5)
	58,631	236,616	207,814
Shareholders' operations			
Cash in banks	16,322	80,902	141,930
Short term murabaha deposits	35,198	20,622	129,632
Less: Impairment allowance	(1)	(1)	(3)
	51,519	101,523	271,559
Total cash and cash equivalents	110,150	338,139	479,373

Short term murabaha deposits have original maturity of less than three months from the date of acquisition and are subject to an average commission rate of 5.43% per annum as at (31 December 2022: 4.27%) (1 Jan 2022: 1.73%).

Cash and cash equivalents includes an amount of SR 7.4 million (2022: SR 9.2 million) that pertains to the company's share of Inherent Defect Insurance (IDI) portfolio.

6 MURABAHA DEPOSITS

	June 30 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Murabaha deposits	256,613	132,909	129,113
Less: Impairment allowance	(53)	(32)	(38)
	256,560	132,877	129,075
Shareholders' operations			
Murabaha deposits	75,750	21,268	-
Less: Impairment allowance	(8)	(5)	-
	75,742	21,263	-
Total Murabaha deposits	332,302	154,140	129,075

Murabaha deposits have an original maturity of more than three months from the date of acquisition and are subject to an average commission rate of 5.21% per annum as at (31 December 2022: 3.49%) (1 January 2022: 1.57% per annum).

Murabaha deposits includes an amount of SR 0.85 million (2022: SR 2.1 million) that pertains to the Company's share of Inherent Defect Insurance (IDI) portfolio.

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NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

7 INSURANCE AND REINSURANCE CONTRACTS

7.1 Analysis by remaining coverage and incurred claims for insurance contracts measured in PPA and GMM

	June 30 2023 (Unaudited)				
	Liability for remaining		Liability for incurred claims		
<u>Premium allocation approach</u>	Excluding Loss component	Loss Component	Present value of Future Cash Flows	Risk Adjustment	Total
Opening insurance contract liabilities	206,181	13,016	327,785	14,944	561,926
Insurance revenue	(484,625)	-	-	-	(484,625)
Insurance service expense					
Incurred claims	-	-	445,456	3,918	449,374
Other incurred insurance service expenses	-	-	38,009	-	38,009
Insurance acquisition amortization	72,024	-	-	-	72,024
(Reversals) / losses on onerous contracts	-	(12,589)	-	-	(12,589)
Changes that relate to past service	-	-	(126,141)	(5,264)	(131,405)
	72,024	(12,589)	357,324	(1,346)	415,413
Total insurance service result	(412,601)	(12,589)	357,324	(1,346)	(69,212)
Finance costs	-	-	7,527	325	7,852
Cash flows					
Premium received	344,480	-	-	-	344,480
Claims and other expenses paid	-	-	(309,221)	-	(309,221)
Acquisition cash flows paid	(55,619)	-	-	-	(55,619)
Total cash flows	288,861	-	(309,221)	-	(20,360)
Net closing balance	82,441	427	383,415	13,923	480,206

	June 30, 2023 (Unaudited)			
<u>General measurement model</u>	Present value of Future Cash Flows	Risk Adjustment	CSM	Total
Opening insurance contract liabilities	(4,739)	588	16,292	12,141
Insurance revenue	(238)	-	-	(238)
Insurance service expense				
incurred expenses - current service	363	-	-	363
Contracts initially recognized in the period	(6,406)	-	6,406	-
Experience adjustment - arising from premiums received in the period that relate to future service	-	(265)	-	(265)
Total insurance service result	(6,281)	(265)	6,406	(140)
Finance costs	1,102	416	(1,521)	(3)
Cash flows				
Premium received	7,348	-	-	7,348
Claims and other expenses paid	(140)	-	-	(140)
Total cash flows	7,208	-	-	7,208
Net closing balance	(2,711)	739	21,177	19,205
Total closing balance of insurance contract liability				499,411

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NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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7 INSURANCE AND REINSURANCE CONTRACTS

7.1 Analysis by remaining coverage and incurred claims for insurance contracts measured in PPA and GMM (continued)

	December 31, 2022 (Restated)				
	Liability for remaining		Liability for incurred claims		Total
	Excluding Loss component	Loss Component	Present value of Future Cash Flows	Risk Adjustment	
<i>Premium allocation approach</i>					
Opening insurance contract liabilities	240,165	35,562	289,345	15,356	580,428
Insurance revenue	(970,507)				(970,507)
Insurance service expense					
Incurred claims	-	-	964,065	(815)	963,250
Other incurred insurance service expenses	-	-	78,427	-	78,427
Insurance acquisition amortization	150,926	-	-	-	150,926
(Reversals) / losses on onerous contracts	-	(22,546)	-	-	(22,546)
Changes that relate to past service	-	-	(194,594)	-	(194,594)
	150,926	(22,546)	847,898	(815)	975,463
Total insurance service result	(819,581)	(22,546)	847,898	(815)	4,956
Finance costs	-	-	8,639	403	9,042
Cash flows					
Premium received	936,408	-	-	-	936,408
Claims and other expenses paid	-	-	(818,097)	-	(818,097)
Acquisition cash flows paid	(150,811)	-	-	-	(150,811)
Total cash flows	785,597	-	(818,097)	-	(32,500)
Net closing balance	206,181	13,016	327,785	14,944	561,926

	December 31, 2022 (Restated)			
	Present value of Future Cash Flows	Risk Adjustment	CSM	Total
<i>General measurement model</i>				
Opening insurance contract liabilities	(206)	-	843	637
Insurance revenue	(554)	-	-	(554)
Insurance service expense				
incurred expenses - current service	192	-	-	192
Contracts initially recognized in the period	(15,882)	-	15,294	(588)
Experience adjustment - arising from premiums received in the period that relate to future service	-	588	-	588
Total insurance service result	(16,244)	588	15,294	(362)
Finance costs	(1)	-	155	154
Cash flows				
Premium received	11,880	-	-	11,880
Claims and other expenses paid	-	-	-	-
Acquisition cash flows paid	(168)	-	-	(168)
Total cash flows	11,712	-	-	11,712
Net closing balance	(4,739)	588	16,292	12,141
Total closing balance of insurance contract liability				574,067

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NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Analysis by remaining coverage and incurred claims for reinsurance contracts measured in PPA and GMM

	June 30, 2023 (Unaudited)				
	Assets for remaining		Assets for incurred claims		Total
	Excluding Loss component	Loss Component	Present value of Future Cash Flows	Risk Adjustment	
Premium allocation approach					
Opening reinsurance contract assets	(22,890)	3	141,563	6,673	125,349
Reinsurance service expense	(26,730)	-	-	-	(26,730)
Claims recovered	-	-	20,885	-	20,885
Changes that relate to past service: Changes related to LIC	-	-	(15,431)	396	(15,035)
Recovery / (Reversal) on losses on onerous contracts	-	10	-	-	10
Net expense from reinsurance contracts held	(26,730)	10	5,454	396	(20,870)
Finance income	-	-	1,873	117	1,990
Cash flows					
Premiums ceded paid net of commission	30,887	-	-	-	30,887
Recoveries from reinsurance	-	-	(21,081)	-	(21,081)
Total cash flows	30,887	-	(21,081)	-	9,806
Net closing balance	(18,733)	13	127,809	7,185	116,275

	June 30, 2023 (Unaudited)			
	Present value of Future Cash Flows	Risk Adjustment	CSM	Total
Opening reinsurance contract assets	(10,699)	(546)	13,756	2,511
Other changes on current services	29	-	-	29
Contracts initially recognized in the period - future service	3,681	(209)	(3,472)	-
Net revenues from reinsurance contracts held	3,710	(209)	(3,472)	29
Finance income	(71)	77	(92)	(86)
Cash flows				
Net ceded premium	9,585	-	-	9,585
Total cash flows	9,585	-	-	9,585
Net closing balance	2,525	(678)	10,192	12,039
Total closing balance of reinsurance contract assets				128,314

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NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

7.2 Analysis by remaining coverage and incurred claims for reinsurance contracts measured in PPA and GMM (continued)

	December 31, 2022 (Restated)				
	Assets for remaining		Assets for incurred claims		Total
<i>Premium allocation approach</i>	Excluding Loss component	Loss Component	Present value of Future Cash Flows	Risk Adjustment	
Opening reinsurance contract assets	(14,732)	-	112,265	8,094	105,627
Reinsurance service expense	(66,287)	-	-	-	(66,287)
Claims recovered	-	-	24,712	-	24,712
Changes that relate to past service: Changes related to LIC	-	-	12,671	(1,611)	11,060
Effect of changes in the risk of reinsurers non-performance	-	-	(27)	-	(27)
Changes that relate to future service (i.e., losses on onerous groups of contracts and reversals of such losses)	-	3	-	-	3
Net expense from reinsurance contracts held	(66,287)	3	37,356	(1,611)	(30,539)
Finance income	-	-	2,265	190	2,455
Cash flows					
Premiums paid net of ceding commission	58,129	-	-	-	58,129
Recoveries from reinsurance	-	-	(10,323)	-	(10,323)
Other directly attributable expenses paid	-	-	-	-	-
Total cash flows	58,129	-	(10,323)	-	47,806
Net closing balance	(22,890)	3	141,563	6,673	125,349

	December 31, 2022 (Restated)			
	Present value of Future Cash Flows	Risk Adjustment	CSM	Total
<i>General measurement model</i>				
Opening reinsurance contract assets	(347)	-	627	280
Other changes on current services	156	-	-	156
Contracts initially recognized in the period - future service	(12,455)	(546)	13,001	-
Net expense from reinsurance contracts held	(12,299)	(546)	13,001	156
Finance income	(104)	-	127	24
Cash flows				
Ceded premium	2,644	-	-	2,644
Commission and management fees	(593)	-	-	(593)
Total cash flows	2,051	-	-	2,051
Net closing balance	(10,699)	(546)	13,756	2,511
Total closing balance of reinsurance contract assets				127,860

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8 INVESTMENTS

	June 30 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Financial assets mandatorily measured at FVTPL	62,691	55,115	61,251
Financial assets measured at FVTOCI	159	149	247
Financial assets at amortised cost – net	14,851	14,837	9,984
	77,701	70,101	71,482
Shareholders' operations			
Financial assets mandatorily measured at FVTPL	99,354	93,576	102,609
Financial assets measured at FVTOCI	44,417	42,971	41,510
Financial assets at amortised cost – net	337	334	2,216
	144,108	136,881	146,335
Total investments	221,809	206,982	217,817

a) Investments measured at FVTPL comprise of the following:

	June 30 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Funds	62,691	55,115	61,251
Shareholders' operations			
Equity	51,086	43,823	52,577
Funds	49,291	49,753	50,032
Total financial assets at FVTPL	163,068	148,691	163,860

b) Investments measured at FVTOCI comprise of the following:

	June 30 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Equity	159	149	247
Shareholders' operations			
Equity	44,417	42,971	41,510
Total financial assets at FVTOCI	44,576	43,120	41,757

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For the six-month period ended 30 June 2023

8 INVESTMENTS (continued)

b) Investments measured at amortised cost comprise of the following:

	June 30 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Sukuks	14,871	14,855	10,000
Impairment allowance	(20)	(18)	(16)
	14,851	14,837	9,984
Shareholders' operations			
Sukuks	350	350	2,230
Impairment allowance	(13)	(16)	(14)
	337	334	2,216
Total investments	15,188	15,171	12,200

b) Movement in impairment allowance for investments at amortised cost for the period is as follows:

	June 30 2023 (unaudited)		
	Stage 1 12-month ECL	Stage 2 ECL not Credit impaired	Stage 3 Lifetime ECL credit impaired
Opening balance	34	-	-
Impairment / (reversal) during the period	(1)	-	-
Closing balance	33	-	-

	December 31 2022 (Unaudited) Restated		
	Stage 1 12-month ECL	Stage 2 ECL not Credit impaired	Stage 3 Lifetime ECL credit impaired
Opening balance	30	-	-
Impairment / (reversal) during the period	4	-	-
Closing balance	34	-	-

MALATH COOPERATIVE INSURANCE COMPANY**(A SAUDI JOINT STOCK COMPANY)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)****For the three-month and six-month periods ended 30 June 2023****9 PROVISION FOR ZAKAT****a) Zakat payable**

The movement in zakat payable during the period / year was as follows:

	30 June	31 December
	2023	2022
	(Unaudited)	(Unaudited)
Balance at beginning of the period / year	23,631	17,252
Charge for the period / year	4,500	10,288
Payments during the period / year	(2,044)	(3,909)
Balance at end of the period / year	26,087	23,631

b) Status of assessments

The Company had filed the zakat returns up to 2022 and received a temporary Zakat certificate. Assessments have been received from ZATCA to date in respect of these years.

c) Status of appeals

• **The years from 2016 to 2018:** On December 27, 2020, ZATCA raised its assessments claiming additional zakat liability of SAR 3.3 million. The Company has appealed against such assessment, where ZATCA has partially accepted the Company's appeal and issued a revised assessment for the Company's favor which resulted an overpaid amount of SAR 1.5 million for the Company. However, the Company has decided to escalate the case to the GSTC. During August 2022, the Committee for Resolution of Tax Violations and Disputes ("CRTVD") (which is the first level of the GSTC committees) has issued its ruling which resulted in increasing the overpaid amount to SAR 2.8 million for the company. Knowing that the above mentioned CRTVD ruling is not final given that both ZATCA and the Company have escalated the case to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") (Which is the second and final level of GSTC committees), and the hearing session is awaiting.

• **The years 2019 & 2020:** On September 30, 2021, ZATCA raised its assessments claiming additional zakat liability of SAR 5.2 million. The Company has appealed against such assessment, where ZATCA has partially accepted the Company's appeal and issued a revised assessment through which the additional zakat liability has been reduced to SAR 5 million knowing that the Company has already settled along with the appeal an amount of Saudi Riyals 1.3 million which represents 25% of the disputed additional zakat liability as per the original assessment to fulfil the formality conditions of appeal submission stated in the zakat regulations. However, the Company has decided to escalate the case to the GSTC. During September 2022, CRTVD has issued its ruling which resulted in reducing the zakat liability to SAR 3.7 million. Knowing that the above mentioned CRTVD ruling is not final given that both ZATCA and the Company have escalated the case to the ACTVDR, and the hearing session is awaiting.

MALATH COOPERATIVE INSURANCE COMPANY**(A SAUDI JOINT STOCK COMPANY)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)****For the three-month and six-month periods ended 30 June 2023****9 PROVISION FOR ZAKAT (continued)****d) Status of VAT assessment**

On 29 November 2022, the Zakat, Tax and Customs Authority (“ZATCA”) raised an assessment based on the tax audit conducted with respect to Value Added Tax (“VAT”) for the tax periods from January 2018 to December 2020 (36 tax periods) (“assessed tax periods”). In the said assessment, the ZATCA is of the view that Malath Cooperative Insurance Company (“the Company”) had underdeclared its VAT liability for the assessed tax periods for a number of items.

The items include: reinsurers’ share of claims paid, recoveries received on accidents from other insurance companies, differences between Financial Statement and VAT returns, exclusion of bad debt adjustment, exclusion of investment income from the Company’s Exempt supplies, exclusion of purchases that do not qualify for Article 53 of the VAT Implementing Regulations, exclusion of zero-rated sales for January 2020 tax period, exclusion of sales adjustment for January 2020 tax period, exclusion of purchases where the amount on the invoice does not match the amount in the statement provided by the Company, and the recalculation of the partial exemption ratio.

The total assessed VAT liability for the assessed tax periods is SAR 7.7 million. The ZATCA had also applied late payment and incorrect filing penalties on the Company however given that the Company paid the assessed VAT liability during the ZATCA’s penalty exemption initiative and therefore the Company is eligible for penalty exemption/waiver and it is following up with the ZATCA to confirm the

Considering the assessed items, the Company understands that it has good grounds supported by the VAT legislation in the Kingdom of Saudi Arabia (“KSA”) and the guidance issued by the ZATCA and therefore the Company submitted objection letters for all the assessed tax periods through the ZATCA portal on 27 January 2023, objecting on the assessment released by the ZATCA.

10 SHARE CAPITAL

As at 30 June 2023 and 31 December 2022, the issued and paid up share capital of the Company amounts to SR 500 million, divided into 50 million ordinary shares of SR 10 each.

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period have been calculated by dividing the total net income for the period by the weighted average number of shares in issue throughout the period.

The basic and diluted earning per share are as follows:

	Six-months period ended	
	30 June	
	2023	2022
		(Unaudited)
	(Unaudited)	Restated
Basic and diluted earnings / (loss) per share (SR)	0.16	(0.38)
Weighted average number of shares throughout the period (thousands)	50,000	50,000

12 STATUTORY RESERVE

In accordance with the Company's By-Laws and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the statutory reserve until it equals the value of share capital and such transfer is only made at year end. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

13 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 new shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

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

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

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

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

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14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table summarizes the financial assets recorded at fair value as of 30 June 2023 and 31 December 2022 by level of the fair value hierarchy. There are no transfers among the levels during the period. Some equity financial investment are reported at cost, where their fair value are not materially different from the carrying value.

As at 30 June 2023 (Unaudited)

	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:					
Financial assets mandatorily measured at FVTPL	162,045	-	49,209	112,836	162,045
Financial assets measured at FVTOCI	44,576	159	-	44,417	44,576
	<u>206,621</u>	<u>159</u>	<u>49,209</u>	<u>157,253</u>	<u>206,621</u>

As at 31 December 2022 (Unaudited) Restated

	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value:					
Financial assets mandatorily measured at FVTPL	148,691	-	41,946	106,745	148,691
Financial assets measured at FVTOCI	43,120	149	-	42,971	43,120
	<u>191,811</u>	<u>149</u>	<u>41,946</u>	<u>149,716</u>	<u>191,811</u>

15 COMMITMENTS AND CONTINGENCIES

a. Legal proceedings and regulations

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

b. Contingent liabilities

The Company's contingent liabilities are as follows:

	<u>30 June</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Letters of guarantee	14,285	13,493

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16 RELATED PARTY TRANSACTIONS

Related parties represent transactions with directors and key management personnel of the Company.

The following are the details of the major related party transactions during the period and the related balances:

	Six-months period ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Board of directors' and committees meeting fees	18	110
key management personnel compensations	3,475	3,871

17 SEGMENT INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include income from investments, other income or expense and general and administrative expenses.

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, investments, prepayments, other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued expenses and other liabilities, as well as end of service liabilities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to Chief Executive Officer under related segments and are monitored on a centralized basis.

	Three months period ended on '30 June 2023			
	(Unaudited)			
Operating segment	Medical	Motor	Property & casualty	Total
Gross premiums written:				
-Individuals	2,444	49,048	1,452	52,944
-Very small enterprises	1,229	336	-	1,565
-Small enterprises	7,533	5,019	1,180	13,732
-Medium enterprises	12,760	842	14,451	28,053
-Corporates	73,074	449	3,799	77,322
	97,040	55,694	20,882	173,616
	Three months period ended on '30 June 2022			
	(Unaudited)			
Operating segment	Medical	Motor	Property & casualty	Total
Gross premiums written:				
-Individuals	6,036	36,342	-	42,378
-Very small enterprises	1,018	248	3	1,269
-Small enterprises	16,632	9,981	301	26,914
-Medium enterprises	28,399	4,046	2,098	34,543
-Corporates	74,561	6,466	11,374	92,401
	126,646	57,083	13,776	197,505

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

17 SEGMENT INFORMATION

Six months period ended on '30 June 2023				
(Unaudited)				
Operating segment	Medical	Motor	Property & casualty	Total
Gross premiums written:				
-Individuals	5,720	114,509	3,666	123,895
-Very small enterprises	3,496	651	-	4,147
-Small enterprises	21,852	14,816	1,626	38,294
-Medium enterprises	23,074	2,279	26,953	52,306
-Corporates	245,168	11,279	21,880	278,327
	299,310	143,534	54,125	496,969
Six months period ended on '30 June 2022				
(Unaudited)				
Operating segment	Medical	Motor	Property & casualty	Total
Gross premiums written:				
-Individuals	6,121	84,195	7	90,323
-Very small enterprises	2,486	908	3	3,397
-Small enterprises	36,768	20,161	563	57,492
-Medium enterprises	61,078	10,161	3,515	74,754
-Corporates	188,737	21,404	47,792	257,933
	295,190	136,829	51,880	483,899

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17 SEGMENT INFORMATION (contunied)

30 June 2023						
(Unaudited)						
Operating segment	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Assets						
Reinsurance Contract Assets	6,239	23,851	98,224	128,314	-	128,314
Unallocated assets	-	-	-	456,264	455,911	912,175
Total assets	6,239	23,851	98,224	584,578	455,911	1,040,489
Liabilities						
Insurance Contract Liabilities	247,294	80,525	171,592	499,411	-	499,411
Unallocated liabilities and insurance operations` surplus	-	-	-	85,167	455,911	541,078
Total liabilities and insurance operations` surplus	247,294	80,525	171,592	584,578	455,911	1,040,489
31 December 2022						
(Restated)						
Operating segment	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Assets						
Reinsurance Contract Assets	4,413	28,328	92,608	125,349	-	125,349
Unallocated assets	-	-	-	480,511	401,689	882,200
Total assets	4,413	28,328	92,608	605,860	401,689	1,007,549
Liabilities						
Insurance Contract Liabilities	250,510	183,779	127,637	561,926	-	561,926
Unallocated liabilities and insurance operations` surplus	-	-	-	37,350	398,643	435,993
Total liabilities and insurance operations` surplus	250,510	183,779	127,637	599,276	398,643	997,919

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For the six-months periods ended 30 June 2023

17 SEGMENT INFORMATION (contunied)

	30 June 2023					
17 SEGMENT INFORMATION (contunied)	Three- months period ended on '30 June 2023					
	(Unaudited)					
Operating segment	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Insurance revenue	134,361	89,635	21,222	245,218	-	245,218
Insurance service expense	(119,609)	(80,087)	(4,393)	(204,089)	-	(204,089)
Insurance service result before reinsurance contracts held	14,752	9,548	16,829	41,129	-	41,129
Allocation of reinsurance premiums	(226)	(1,576)	(12,130)	(13,932)	-	(13,932)
Amounts recoverable from reinsurance	745	(1,385)	(19,204)	(19,844)	-	(19,844)
Net revenues / (expenses) from reinsurance contracts held	519	(2,961)	(31,334)	(33,776)	-	(33,776)
Insurance service result	15,271	6,587	(14,505)	7,353	-	7,353
Finance expenses from insurance contracts issued	(2,202)	(697)	(1,086)	(3,985)	-	(3,985)
Finance income from reinsurance contracts held	-	-	850	850	-	850
Net insurance finance expenses	(2,202)	(697)	(236)	(3,135)	-	(3,135)
Unallocated income	-	-	-	8,508	6,426	14,934
Unallocated expenses	-	-	-	(3,207)	(4,550)	(7,757)
Net income before zakat	13,069	5,890	(14,741)	9,519	1,876	11,395
Surplus attributed to insurance operations						(952)
Net income attributable to shareholders before zakat						10,443

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For the six-months periods ended 30 June 2023

17 SEGMENT INFORMATION (contunied)

17 SEGMENT INFORMATION (contunied)

	30 June 2023					
	Three- months period ended on '30 June 2022					
	(Restated)					
Operating segment	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Insurance revenue	116,074	106,851	21,622	244,547	-	244,547
Insurance service expense	(103,044)	(140,486)	(5,751)	(249,281)	-	(249,281)
Insurance service result before reinsurance contracts held	13,030	(33,635)	15,871	(4,734)	-	(4,734)
Allocation of reinsurance premiums	(271)	(1,341)	(12,816)	(14,428)	-	(14,428)
Amounts recoverable from reinsurance	(1,329)	8,717	(3,316)	4,072	-	4,072
Net revenues / (expenses) from reinsurance contracts held	(1,600)	7,376	(16,132)	(10,356)	-	(10,356)
Insurance service result	11,430	(26,259)	(261)	(15,090)	-	(15,090)
Finance expenses from insurance contracts issued	25	(616)	(591)	(1,182)	-	(1,182)
Finance income from reinsurance contracts held	-	-	529	529	-	529
Net insurance finance expenses	25	(616)	(62)	(653)	-	(653)
Unallocated income	-	-	-	4,661	727	5,388
Unallocated expenses	-	-	-	(4,247)	(1,045)	(5,292)
Net income before zakat	11,455	(26,875)	(323)	(15,329)	(318)	(15,647)
Surplus attributed to insurance operations						-
Net income attributable to shareholders before zakat						<u>(15,647)</u>

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17 SEGMENT INFORMATION (contuniued)

30 June 2023

17 SEGMENT INFORMATION (contuniued)

Six- months period ended on '30 June 2023

(Unaudited)

Operating segment

	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Insurance service revenue	268,676	177,940	38,247	484,863	-	484,863
Insurance Service Expenses	(253,878)	(145,700)	(15,933)	(415,511)	-	(415,511)
Insurance service result before reinsurance contracts held	14,798	32,240	22,314	69,352	-	69,352
Allocation of reinsurance premiums	(470)	(3,152)	(23,108)	(26,730)	-	(26,730)
Amounts recoverable from reinsurance	1,430	3,536	1,018	5,984	-	5,984
Net revenues / (expenses) from reinsurance contracts held	960	384	(22,090)	(20,746)	-	(20,746)
Insurance service result	15,758	32,624	224	48,606	-	48,606
Finance expenses from insurance contracts issued	(3,958)	(1,631)	(2,263)	(7,852)	-	(7,852)
Finance income from reinsurance contracts held	-	-	1,774	1,774	-	1,774
Net insurance finance expenses	(3,958)	(1,631)	(489)	(6,078)	-	(6,078)
Unallocated income	-	-	-	17,998	12,866	30,864
Unallocated expenses	-	-	-	(6,604)	(4,568)	(11,172)
Net income before zakat	11,800	30,993	(265)	53,922	8,298	62,220

Surplus attributed to insurance operations

(5,392)

Net income attributable to shareholders before zakat

56,828

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17 SEGMENT INFORMATION (contunied)

17 SEGMENT INFORMATION (contunied)

	30 June 2023					
	Six- months period ended on '30 June 2022					
	(Restated)					
Operating segment	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Insurance service revenue	214,544	230,802	35,961	481,307	-	481,307
Insurance service expenses	(203,140)	(310,426)	(11,921)	(525,487)	-	(525,487)
Insurance service result before reinsurance contracts held	11,404	(79,624)	24,040	(44,180)	-	(44,180)
Allocation of reinsurance premiums	(542)	(2,681)	(24,145)	(27,368)	-	(27,368)
Amounts recoverable from reinsurance	927	9,365	3,559	13,851	-	13,851
Net revenues / (expenses) from reinsurance contracts held	385	6,684	(20,586)	(13,517)	-	(13,517)
Insurance service result	11,789	(72,940)	3,454	(57,697)	-	(57,697)
Finance expenses from insurance contracts issued	(179)	(984)	(1,188)	(2,351)	-	(2,351)
Finance income from reinsurance contracts held	-	-	1,041	1,041	-	1,041
Net insurance finance expenses	(179)	(984)	(147)	(1,310)	-	(1,310)
Unallocated income	-	-	-	8,789	12,331	21,120
Unallocated expenses	-	-	-	(9,669)	(1,333)	(11,002)
Net income before zakat	11,610	(73,924)	3,307	(59,887)	10,998	(48,889)
Surplus attributed to insurance operations						-
Net income attributable to shareholders before zakat						(48,889)

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION

18.1 Interim condensed statement of financial position

	Insurance Operations			Shareholders' Operations			Total		
	30 Jun	31 Dec	1 Jan	30 Jun	31 Dec	1 Jan	30 Jun	31 Dec	1 Jan
	2023	2022	2022	2023	2022	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
) Restated) Restated) Restated) Restated) Restated) Restated) Restated) Restated) Restated
ASSETS									
Cash and cash equivalents	58,631	236,616	207,814	51,519	101,523	271,559	110,150	338,139	479,373
Murabaha deposits	256,560	132,877	129,075	75,742	21,263	-	332,302	154,140	129,075
Reinsurance contract assets	128,314	127,860	105,907	-	-	-	128,314	127,860	105,907
Investments	77,701	70,101	71,482	144,108	136,881	146,335	221,809	206,982	217,817
Prepayments and other assets	60,004	36,803	33,857	53,288	56,258	2,547	113,292	93,061	36,404
Property and equipment	3,368	4,114	4,846	-	-	-	3,368	4,114	4,846
Statutory deposit	-	-	-	74,986	74,986	74,986	74,986	74,986	74,986
Accrued commission income on statutory deposit	-	-	-	13,127	10,778	10,167	13,127	10,778	10,167
	584,578	608,371	552,981	412,770	401,689	505,594	997,348	1,010,060	1,058,575
Due (to) / from insurance operations	-	-	-	43,141	(3,046)	(74,010)	43,141	(3,046)	(74,010)
TOTAL ASSETS	584,578	608,371	552,981	455,911	398,643	431,584	1,040,489	1,007,014	984,565

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.1 Interim condensed statement of financial position (continued)

	Insurance Operations			Shareholders' Operations			Total		
	30 Jun	31 Dec	1 Jan	30 Jun	31 Dec	1 Jan	30 Jun	31 Dec	1 Jan
	2023	2022	2022	2023	2022	2022	2023	2022	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited) Restated
LIABILITIES									
Accrued expenses and other liabilities	33,351	29,192	35,060	2,242	2,633	2,041	35,593	31,825	37,101
Insurance contract liabilities	499,411	574,067	581,065	-	-	-	499,411	574,067	581,065
Employees' end-of-service benefits	17,656	17,149	20,154	-	-	-	17,656	17,149	20,154
Provision for zakat	-	-	-	26,087	23,631	17,252	26,087	23,631	17,252
Accrued return on statutory deposit payable to SAMA	-	-	-	13,127	10,778	10,167	13,127	10,778	10,167
	550,418	620,408	636,279	41,456	37,042	29,460	591,874	657,450	665,739
Due (from) / to shareholders' operations	43,141	(3,046)	(74,010)	-	-	-	-	(3,046)	(74,010)
TOTAL LIABILITIES	593,559	617,362	562,269	41,456	37,042	29,460	591,874	654,404	591,729
EQUITY									
Share capital	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000
Statutory reserve	-	-	-	2,131	2,131	2,131	2,131	2,131	2,131
Accumulated losses	-	-	-	(122,215)	(174,543)	(134,200)	(122,215)	(174,543)	(134,200)
Investments fair value reserve	(108)	(118)	1,388	34,539	34,013	34,193	34,431	33,895	35,581
Re-measurement losses on defined benefit plans	(8,873)	(8,873)	(10,676)	-	-	-	(8,873)	(8,873)	(10,676)
TOTAL EQUITY	(8,981)	(8,991)	(9,288)	414,455	361,601	402,124	405,474	352,610	392,836
TOTAL LIABILITIES AND EQUITY	584,578	608,371	552,981	455,911	398,643	431,584	1,040,489	1,007,014	984,565

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.2 Interim condensed statement of income (continued)

	Three-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated
REVENUES						
Insurance service revenue	245,218	244,547	-	-	245,218	244,547
Insurance Service Expenses	(204,089)	(249,281)	-	-	(204,089)	(249,281)
Insurance service result before reinsurance contracts held	41,129	(4,734)	-	-	41,129	(4,734)
Allocation of reinsurance premiums	(13,932)	(14,428)	-	-	(13,932)	(14,428)
Amounts recoverable from reinsurance	(19,844)	4,072	-	-	(19,844)	4,072
Net revenues / (expenses) from reinsurance contracts held	(33,776)	(10,356)	-	-	(33,776)	(10,356)
Insurance service result	7,353	(15,090)	-	-	7,353	(15,090)
Investment income on financial assets at amortised cost	3,709	3,413	1,853	3,392	5,562	6,805
Investment income on financial assets at FVTPL	1,190	1,497	4,573	(2,665)	5,763	(1,168)
Net credit impairment losses on financial assets	-	-	-	-	-	-
Other investment income	-	-	-	-	-	-
Net investment income	4,899	4,910	6,426	727	11,325	5,637
Finance expenses from insurance contracts issued	(3,985)	(1,182)	-	-	(3,985)	(1,182)
Finance income from reinsurance contracts held	850	529	-	-	850	529
Net insurance finance expenses	(3,135)	(653)	-	-	(3,135)	(653)
Net insurance and investment result	9,117	(10,833)	6,426	727	15,543	(10,106)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.2 Interim condensed statement of income (continued)

	Three-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated
Net insurance and investment result	9,117	(10,833)	6,426	727	15,543	(10,106)
OTHER INCOME / (EXPENSES)						
Other operating expenses	(3,207)	(4,247)	(4,550)	(1,045)	(7,757)	(5,292)
Other income	3,609	(249)	-	-	3,609	(249)
TOTAL OTHER (EXPENSES) / INCOME	402	(4,496)	(4,550)	(1,045)	(4,148)	(5,541)
Total income / (loss) for the period	9,519	(15,329)	1,876	(318)	11,395	(15,647)
Surplus attributed to insurance operations	(952)	-	-	-	(952)	-
Net income / (loss) attributable to shareholders before zakat	8,568	(15,329)	1,876	(318)	10,443	(15,647)
Zakat charge for the period	-	-	(2,250)	(3,250)	(2,250)	(3,250)
Net income / (loss) attributable to shareholders' operations	8,568	(15,329)	(374)	(3,568)	8,193	(18,897)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.3 Interim condensed statement of comprehensive income

	Three-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Restated	Restated	Restated	Restated	Restated	Restated
Net income / (loss) for the period	9,519	-	(374)	(18,897)	9,145	(18,897)
Other comprehensive income:						
Items that will not be recycled to statements of income in subsequent years						
Change in fair value of financial investments at FVTOCI	14	152	232	(1,570)	246	(1,418)
Total comprehensive income / (loss) for the period	9,533	152	(142)	(20,467)	9,391	(20,315)
Total comprehensive income attributable to insurance operations	(952)	-	-	-	(952)	-
Total comprehensive income / (loss) attributable to shareholders	8,581	152	(142)	(20,467)	8,439	(20,315)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.2 Interim condensed statement of income (continued)

	Six-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated
REVENUES						
Insurance service revenue	484,863	481,307	-	-	484,863	481,307
Insurance Service Expenses	(415,511)	(525,487)	-	-	(415,511)	(525,487)
Insurance service result before reinsurance contracts held	69,352	(44,180)	-	-	69,352	(44,180)
Allocation of reinsurance premiums	(26,730)	(27,368)	-	-	(26,730)	(27,368)
Amounts recoverable from reinsurance	5,984	13,851	-	-	5,984	13,851
Net revenues / (expenses) from reinsurance contracts held	(20,746)	(13,517)	-	-	(20,746)	(13,517)
Insurance service result	48,606	(57,697)	-	-	48,606	(57,697)
Investment income on financial assets at amortised cost	7,379	6,979	3,456	6,497	10,835	13,476
Investment income on financial assets at FVTPL	2,044	1,746	9,418	4,209	11,462	5,955
Net credit impairment losses on financial assets	(16)	(22)	(8)	(15)	(24)	(37)
Other investment income	-	-	-	1,640	-	1,640
Net investment income	9,407	8,703	12,866	12,331	22,273	21,034
Finance expenses from insurance contracts issued	(7,852)	(2,351)	-	-	(7,852)	(2,351)
Finance income from reinsurance contracts held	1,774	1,041	-	-	1,774	1,041
Net insurance finance expenses	(6,078)	(1,310)	-	-	(6,078)	(1,310)
Net insurance and investment result	51,935	(50,304)	12,866	12,331	64,801	(37,973)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.2 Interim condensed statement of income (continued)

	Six-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated
Net insurance and investment result	51,935	(50,304)	12,866	12,331	64,801	(37,973)
OTHER INCOME / (EXPENSES)						
Other operating expenses	(6,604)	(9,669)	(4,568)	(1,333)	(11,172)	(11,002)
Other income	8,591	86	-	-	8,591	86
TOTAL OTHER (EXPENSES) / INCOME	1,987	(9,583)	(4,568)	(1,333)	(2,581)	(10,916)
Total income / (loss) for the period	53,922	(59,887)	8,298	10,998	62,220	(48,889)
Surplus attributed to insurance operations	(5,392)	-	-	-	(5,392)	-
Net income / (loss) attributable to shareholders before zakat	48,530	(59,887)	8,298	10,998	56,828	(48,889)
Zakat charge for the period	-	-	(4,500)	(6,500)	(4,500)	(6,500)
Net income / (loss) attributable to shareholders' operations	48,530	(59,887)	3,798	4,498	52,328	(55,389)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.3 Interim condensed statement of comprehensive income

	Six-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		Restated		Restated		Restated
Net income / (loss) for the period	5,392	-	52,328	(18,897)	57,720	(18,897)
Other comprehensive income:						
Items that will not be recycled to statements of income in subsequent years						
Change in fair value of financial investments at FVTOCI	10	144	526	(605)	536	(461)
Total comprehensive income / (loss) for the period	5,402	144	52,854	(19,502)	58,256	(19,358)
Total comprehensive income attributable to insurance operations	(5,392)	-	-	-	(5,392)	-
Total comprehensive income / (loss) attributable to shareholders	10	144	52,854	(19,502)	52,864	(19,358)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.4 Interim condensed statement of cash flows

	Six-months period ended 30 June					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income / (loss) for the period before zakat	48,530	-	8,298	(48,889)	56,828	(48,889)
Adjustments for non-cash items:						
Other investment income	-	-	-	(1,640)	-	(1,640)
Depreciation of property and equipment	1,017	949	-	-	1,017	949
Investment income on financial assets at FVTPL	(2,044)	(1,746)	(9,418)	(4,209)	(11,462)	(5,955)
Finance expenses from insurance contracts issued	7,852	2,351	-	-	7,852	2,351
Finance income from reinsurance contracts held	(1,774)	(1,041)	-	-	(1,774)	(1,041)
Net credit impairment losses on financial assets	16	-	8	15	24	15
Provision for employees' end-of-service benefits	1,884	1,961	-	-	1,884	1,961
Changes in operating assets and liabilities:						
Reinsurance contract assets	(454)	17,156	-	-	(454)	17,156
Prepayments and other assets	(23,201)	24,534	2,970	1,841	(20,231)	26,375
Accrued expenses and other liabilities	4,159	(12,586)	(391)	(1,502)	3,768	(14,088)
Insurance contract liabilities	(82,508)	13,272	-	-	(82,508)	13,272
Cash generated from / (used in) operations	(46,523)	44,850	1,467	(54,384)	(45,056)	(9,534)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.4 Interim condensed statement of cash flows (continued)

18.4 Interim condensed statement of cash flows (continued)		Six-months period ended 30 June					
		Insurance Operations		Shareholders' Operations		Total	
		2023	2022	2023	2022	2023	2022
Zakat paid		-	-	(2,044)	(3,910)	(2,044)	(3,910)
Employees' end-of-service benefits paid		(1,377)	(2,755)	-	-	(1,377)	(2,755)
Net cash generated from / (used in) operating activities		(47,900)	42,095	(577)	(58,294)	(48,477)	(16,199)
CASH FLOWS FROM INVESTING ACTIVITIES							
Net placement to Murabaha deposits		(123,683)	(15,370)	(54,479)	(85,342)	(178,162)	(100,712)
Net (addition to) / proceeds from financial assets		(6,131)	3,922	5,052	2,962	(1,079)	6,884
Addition to property and equipment		(271)	(559)	-	-	(271)	(559)
Net cash used in investing activities		(130,085)	(12,007)	(49,427)	(82,380)	(179,512)	(94,387)
Net change in cash and cash equivalents		(177,985)	30,088	(50,004)	(140,674)	(227,989)	(110,586)
Cash and cash equivalents at the beginning of the period	5	236,616	207,814	101,523	271,559	338,139	479,373
Cash and cash equivalents at the end of the period	5	58,631	237,902	51,519	130,885	110,150	368,787
Supplemental non-cash information:							
Change in fair value of financial investments at FVTOCI		10	144	526	(605)	536	(461)
Commission income on statutory deposit		-	-	2,349	278	2,349	278

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19 INSURANCE PORTFOLIO SHARE

On June 25, 2020 the Company, signed the Inherent Defect Insurance (IDI) shared agreement with 12 other participating insurance companies relating to inherent defects insurance provides coverage against post usage detected defects in buildings and constructions. Malath as a leading company to manages the IDI portfolio on behalf of the participating insurance companies and will exclusively be entitled to management fees of managing the portfolio to be earned over the period of validity of the IDI agreement that is ending at June 24, 2025.

The participating insurance companies will account on their financials the IDI portfolio assets, liabilities, revenues and expenses relating to their share in the portfolio in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Malath has reported its share of the IDI transaction under the Property and Causality Segment.

20 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors on 23 Muharram, 1445 H corresponding to 10 August, 2023.