

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**

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

---

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month and nine-months periods ended 30 September 2022**

<b>INDEX</b>	<b>Page</b>
Independent auditors' review report	1
Interim condensed statement of financial position	2 - 3
Interim condensed statement of income	4 - 5
Interim condensed statement of comprehensive income	6
Interim condensed statement of changes in equity	7
Interim condensed statement of cash flows	8
Notes to the interim condensed financial statements	9 - 40

## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE 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 at 30 September 2022 and the related interim condensed statements of income and other comprehensive income for the three month and nine month periods then ended and the interim condensed statements of changes in equity and cash flows for the nine month period ended, and a summary of significant accounting policies 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") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

#### SCOPE OF REVIEW

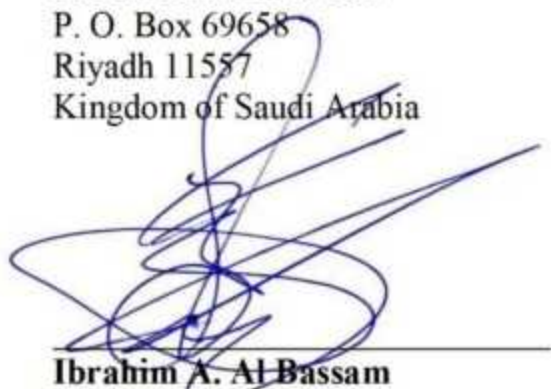
We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making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

#### CONCLUSION

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

**For Al-Bassam & Co.**

P. O. Box 69658  
Riyadh 11557  
Kingdom of Saudi Arabia



**Ibrahim A. Al Bassam**  
Certified Public Accountant  
License No. 337

**Al Azem, Al Sudairy, Al Shaikh & Partners**

**For Professional Consulting**

P. O. Box 10504  
Riyadh 11443  
Kingdom of Saudi Arabia



**Abdullah M. Al Azem**  
Certified Public Accountant  
License No. 335



08 November 2022  
(14 Rabi' al Thani 1444H)



**MALATH COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2022**

	Notes	<b>30 September</b>	<b>31 December</b>
		<b>2022</b>	<b>2021</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>SR (000)</b>	
<b>ASSETS</b>			
Cash and cash equivalents	4	<b>305,558</b>	479,381
Murabaha deposits	5	<b>246,920</b>	129,113
Premiums and reinsurers' receivable - net	6	<b>297,664</b>	218,884
Reinsurers' share of unearned premiums	7b	<b>25,484</b>	14,487
Reinsurers' share of outstanding claims	7a	<b>124,555</b>	90,130
Reinsurers' share of claims incurred but not reported	7a	<b>10,740</b>	20,802
Deferred policy acquisition costs	7d	<b>30,539</b>	25,618
Deferred excess of loss premiums		<b>2,222</b>	83
Available-for-sale investments	8	<b>161,194</b>	161,626
Investment in associates	9	<b>13,240</b>	-
Investment held to maturity	10	<b>22,744</b>	19,724
Prepayments and other assets		<b>69,765</b>	56,479
Property and equipment		<b>4,007</b>	4,846
Statutory deposit		<b>75,000</b>	75,000
Accrued commission income on statutory deposit		<b>10,587</b>	10,167
<b>TOTAL ASSETS</b>		<b>1,400,219</b>	<b>1,306,340</b>

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

  
\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

  
\_\_\_\_\_  
DIRECTOR

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2022

	Notes	30 September 2022 (Unaudited) SR (000)	31 December 2021 (Audited)
<b>LIABILITIES</b>			
Policyholders claims payable		18,814	33,535
Accrued and other liabilities		134,557	94,763
Reinsurance balances payable		48,225	25,809
Unearned premiums	7b	454,907	427,085
Unearned reinsurance commission	7c	5,789	3,488
Outstanding claims	7a	118,682	59,549
Claims incurred but not reported (IBNR)	7a	211,666	209,110
Additional premium reserve	7a	11,671	28,412
Other technical reserves	7a	4,335	4,432
Employees' end-of-service benefits		19,711	20,154
Accumulated surplus		1,008	1,008
Provision for zakat	11	22,007	17,252
Accrued commission income payable to SAMA		10,587	10,167
<b>TOTAL LIABILITIES</b>		<b>1,061,959</b>	<b>934,764</b>
<b>EQUITY</b>			
Share capital	12	500,000	500,000
Statutory reserve	14	2,131	2,131
Accumulated losses		(153,014)	(120,408)
Fair value reserve for available-for-sale investments		391	529
Re-measurement reserve of defined benefit obligation		(11,248)	(10,676)
<b>TOTAL EQUITY</b>		<b>338,260</b>	<b>371,576</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,400,219</b>	<b>1,306,340</b>
COMMITMENTS AND CONTINGENCIES	17		

 CHIEF FINANCIAL OFFICER	 CHIEF EXECUTIVE OFFICER	 DIRECTOR
--	--	---

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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

**INTERIM CONDENSED STATEMENT OF INCOME**

For the three-month and nine-months periods ended 30 September 2022

	Notes	Three-months period ended 30 September		Nine-months period ended 30 September	
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		SR (000)		SR (000)	
<b>REVENUES</b>					
Gross premiums written	7b	261,920	284,962	745,819	771,197
Reinsurance premiums ceded					
- Local		(2,111)	(1,004)	(6,075)	(4,012)
- International (includes premium ceded through local broker)		(11,252)	(7,509)	(51,303)	(39,642)
		(13,363)	(8,513)	(57,378)	(43,654)
Excess of loss expenses		(7,254)	(1,994)	(11,285)	(10,305)
<b>Net premiums written</b>		<b>241,303</b>	<b>274,455</b>	<b>677,156</b>	<b>717,238</b>
Movement in unearned premiums, net		(28,149)	(70,190)	(16,825)	(156,022)
<b>Net premiums earned</b>	7b	<b>213,154</b>	<b>204,265</b>	<b>660,331</b>	<b>561,216</b>
Reinsurance commissions	7c	2,848	2,614	9,921	9,401
Other underwriting income		10,838	435	12,688	932
<b>NET REVENUES</b>		<b>226,840</b>	<b>207,314</b>	<b>682,940</b>	<b>571,549</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>					
Gross claims paid		(175,412)	(172,667)	(559,737)	(531,616)
Reinsurers' share of claims paid		3,695	4,749	7,819	16,132
<b>Net claims paid</b>		<b>(171,717)</b>	<b>(167,918)</b>	<b>(551,918)</b>	<b>(515,484)</b>
Movement in outstanding claims, net		(10,811)	214	(24,709)	38,746
Movement in claims incurred but not reported, net		(4,188)	(10,865)	(12,618)	(3,386)
Movement in additional premium reserve		9,016	(11,416)	16,741	(2,501)
Movement in other technical reserves		534	(122)	97	100
<b>Net claims incurred</b>		<b>(177,166)</b>	<b>(190,107)</b>	<b>(572,407)</b>	<b>(482,525)</b>
Policy acquisition costs	7d	(20,928)	(17,996)	(53,732)	(47,555)
Other underwriting expenses		(5,646)	(7,813)	(22,923)	(13,492)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>		<b>(203,740)</b>	<b>(215,916)</b>	<b>(649,062)</b>	<b>(543,572)</b>
<b>NET UNDERWRITING INCOME / (COST)</b>		<b>23,100</b>	<b>(8,602)</b>	<b>33,878</b>	<b>27,977</b>

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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

**INTERIM CONDENSED STATEMENT OF INCOME**

For the three-month and nine-months periods ended 30 September 2022

	Notes	Three-months period ended 30 September		Nine-months period ended 30 September	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
		SR (000)	SR (000)	SR (000)	SR (000)
Net underwriting income / (cost) carried forward		23,100	(8,602)	33,878	27,977
<b>OTHER INCOME / (EXPENSES)</b>					
Provision for doubtful debts	6	(2,350)	(1,180)	(4,510)	(10,106)
Salaries and staff related costs		(19,780)	(18,943)	(60,433)	(57,621)
Other general and administrative expenses		(9,333)	(11,834)	(33,623)	(33,018)
Investment income		9,082	7,130	28,623	21,591
Share of profit from investment in associate		128	-	11,890	-
Other income		148	4	234	9,857
<b>TOTAL OTHER EXPENSES</b>		<b>(22,105)</b>	<b>(24,823)</b>	<b>(57,819)</b>	<b>(69,297)</b>
<b>Net income / (loss) before Zakat for the period</b>		<b>995</b>	<b>(33,425)</b>	<b>(23,941)</b>	<b>(41,320)</b>
<b>Net income / (loss) attributable to shareholders before zakat</b>		<b>995</b>	<b>(33,425)</b>	<b>(23,941)</b>	<b>(41,320)</b>
Zakat charge for the period	11	(2,165)	(3,244)	(8,665)	(9,733)
<b>Net loss attributable to shareholders' operations</b>		<b>(1,170)</b>	<b>(36,669)</b>	<b>(32,606)</b>	<b>(51,053)</b>
<b>Earnings per share</b>	13				
Basic and diluted earnings per share		(0.02)	(0.73)	(0.65)	(1.02)
Weighted average number of shares in issue throughout the period (thousands)		50,000	50,000	50,000	50,000

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

For the three-month and nine-months periods ended 30 September 2022

	Three-months period ended 30 September		Nine-months period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR (000)		SR (000)	
Net loss for the period attributable to shareholders	(1,170)	(36,669)	(32,606)	(51,053)
Other comprehensive income:				
<i>Items that may be reclassified to statements of income in subsequent periods</i>				
-Change in fair value of available-for-sale investments, net	1,491	2,957	(138)	2,617
<i>Items that will not be reclassified to statements of income in subsequent years</i>				
-Re-measurement loss on end of service benefits from investment in associate	-	-	(572)	-
Total comprehensive income / (loss) for the period attributable to shareholders	321	(33,712)	(33,316)	(48,436)
Net income attributable to insurance	-	-	-	-
Other comprehensive income attributable to insurance operations	-	-	-	-
Total comprehensive income attributable to insurance operations	-	-	-	-
Total comprehensive income / (loss) for the period	321	(33,712)	(33,316)	(48,436)

  
 CHIEF FINANCIAL OFFICER

  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**MALATH COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
For the nine-month periods ended 30 September 2022

	Share capital	Statutory reserve	Accumulated losses	Fair value reserve for available-for-sale investments	Re-measurement reserve of employees' end-of-service benefits	Total equity
	(SR 000)					
Balance at 01 January 2022 (Audited)	500,000	2,131	(120,408)	529	(10,676)	371,576
Net loss for the period	-	-	(32,606)	-	-	(32,606)
Unrealized gain on available-for-sale investments, net	-	-	-	(138)	-	(138)
Re-measurement loss on end of service benefits from investment in associate	-	-	-	-	(572)	(572)
Total comprehensive loss	-	-	(32,606)	(138)	(572)	(33,316)
Balance at 30 September 2022 (Unaudited)	500,000	2,131	(153,014)	391	(11,248)	338,260
Balance at 01 January 2021 (Audited)	500,000	2,131	(34,748)	673	(7,596)	460,460
Net loss for the period	-	-	(51,053)	-	-	(51,053)
Unrealized gain on available-for-sale investments, net	-	-	-	2,617	-	2,617
Total comprehensive loss	-	-	(51,053)	2,617	-	(48,436)
Balance at 30 September 2021 (Unaudited)	500,000	2,131	(85,801)	3,290	(7,596)	412,024



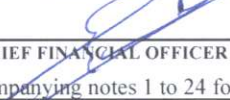




**CHIEF FINANCIAL OFFICER**
**CHIEF EXECUTIVE OFFICER**
**DIRECTOR**

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

**MALATH COOPERATIVE INSURANCE COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**For the nine-month periods ended 30 September 2022**

		Nine-months period ended 30	
		September	
Note		2022	2021
		(Unaudited)	(Unaudited)
		SR (000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		(23,941)	(41,320)
<b>Adjustments for non-cash items:</b>			
		1,447	1,383
		(10,155)	(3,098)
		2,965	3,607
		(11,890)	-
		-	(5,388)
6		4,510	10,106
<b>Changes in operating assets and liabilities:</b>			
		(83,290)	(139,821)
		(10,997)	(2,937)
		(34,425)	5,392
		10,062	1,973
		(4,921)	(10,274)
		(2,139)	(83)
		(13,286)	(36,867)
		(14,721)	11,100
		39,795	19,092
		22,416	17,245
		27,822	158,958
		2,301	653
		59,133	(44,138)
		2,556	1,413
		(16,741)	2,501
		(97)	(100)
		-	(4,658)
		-	(2,409)
		(53,596)	(57,670)
		(3,910)	(8,585)
11		(3,408)	(2,867)
		(60,914)	(69,122)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		(117,807)	(74,114)
		20,660	24,201
		(608)	(4,179)
		(4,900)	(9,574)
		1,880	-
8		(12,134)	(72,528)
		(112,909)	(136,194)
		(173,823)	(205,316)
		479,381	560,070
4		305,558	354,754
<b>Supplemental non-cash information:</b>			
		(138)	2,617
		420	333

CHIEF FINANCIAL OFFICER
 CHIEF EXECUTIVE OFFICER
 DIRECTOR

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)  
For the three-month and nine-months periods ended 30 September 2022**

---

**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) Basis of presentation and measurement**

These interim condensed financial information (interim condensed financial statements) of the Company as at and for the period ended 30 September 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia by Saudi Organization for Chartered and professional Accountants (SOCPA).

These interim condensed financial statements are prepared under the going concern concept and the historical cost convention, except for the measurement at fair value of available-for-sale investments and employees' end of service benefits measured at present value of future obligations using projected unit credit method. The Company’s interim condensed statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: Available-for-sale investments, Property and equipment, Statutory deposit, Accrued income on statutory deposit, Employees' end-of-service benefits and Accrued commission income payable to Saudi Central Bank ("SAMA"). All other financial statement line items balances would generally be classified as current. The Company presents its interim condensed statement of financial position in order of liquidity. As required by the law on Supervision of Co-operative Insurance Companies, the Company maintains separate books of accounts for Insurance Operations and Shareholders’ Operations and presents the interim condensed financial statements accordingly (Note 20). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The interim condensed statement of financial position, interim condensed statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 20 of the interim condensed financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs as endorsed in KSA. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the interim condensed statements of financial position, interim condensed statements of income, interim condensed statement of comprehensive income and interim condensed statement of cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

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 nine-months periods ended 30 September 2022**

#### **2 BASIS OF PREPARATION (continued)**

##### **(b) Functional and presentation currency**

These interim condensed 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.

##### **(c) Critical accounting judgments, estimates and assumptions**

The preparation of the interim condensed 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 interim condensed 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:

##### ***i) The ultimate liability arising from claims made under insurance contracts***

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of Claims Incurred But Not Reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claim estimates are reassessed for adequacy and changes are made to the provision.

The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the date of interim condensed statement of financial position, for which the insured event has occurred prior to the date of interim condensed statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. The actuary has also used a segmentation approach including analyzing cost per member per year for medical line of business. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

##### ***ii) Impairment of available-for-sale investments***

The Company determines that investments are impaired when there has been a significant or prolonged decline in the fair values of the financial assets below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**2 BASIS OF PREPARATION (continued)**

**(c) Critical accounting judgments, estimates and assumptions (continued)**

**iii) *Impairment of receivables***

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

**iv) *Fair value of financial instruments***

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

**v) *Deferred policy acquisition costs***

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment.

**vi) *Premium deficiency reserve***

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to be realized in the future.

**vii) *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

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard (interpretation) or amendments that has been issued but which are not yet effective.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Amendment to standards and interpretations**

There are no new standards issued, however, certain amendments to standards and interpretations which are effective from 1 January 2022 and were listed in the Company's annual financial statements of 31 December 2021, but they do not have any impact on the interim condensed financial statements of the Company.

**b) Standards issued but not yet effective**

The Company has chosen not to early adopt the amendments and revisions to the IFRSs, which have been published and are mandatory for compliance for the Company with effect from future dates.

<b>STANDARD/</b>	<b>DESCRIPTION</b>	<b>EFFECTIVE FROM</b>
IFRS 9	Financial Instruments (refer below)	1-Jan-20
IFRS 17	Insurance Contracts (refer below)	1-Jan-23

**a. IFRS 9 - Financial Instruments**

The implementation of IFRS 9 is expected to result in a significant portion of financial assets currently classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. The Company is using the exemptions available to insurers to defer the implementation of IFRS 9 until implementation of IFRS 17. The impact of the adoption of IFRS 9 on the Company's interim condensed financial statements will, to a large extent, have to take into account the interaction with the IFRS 17 "Insurance contracts". At present the Company has not fully assessed the effects of adoption of IFRS 9.

**b. IFRS 17 - Insurance Contracts**

**Overview**

This standard has been published in May, 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features, provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- i- embedded derivatives, if they meet certain specified criteria;
- ii- distinct investment components; and
- iii- any promise to transfer distinct goods or non-insurance services.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. IFRS 17 - Insurance Contracts (continued)**

**Effective date**

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4 is currently for reporting periods beginning on or after January 1, 2023. This is a deferral of 2 year compared to the previous date of January 1, 2021. Earlier application is permitted if both IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments have also been applied. The Company intends to apply the Standard on its effective date.

**Transition**

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

**Impact**

The Company carried out assessment for ascertaining the impact of the application and implementation of IFRS 17 on results of the financial year 2018. The Company has also undertaken an initial operational impact gap analysis and currently undergoing through detailed operational and financial impact assessment along with working on planning and design phase to enable the Company to establish required system and processes under IFRS 17. Key gaps and their impact noted so far are as follows:

<b>Major areas of design phase</b>	<b>Summary of progress</b>
<b>Governance and control framework</b>	The Company has put in place a comprehensive IFRS 17 governance program which includes establishing oversight steering committee for monitoring the progress of implementation and assigning roles and responsibilities to various stakeholders.
<b>Operational area</b>	The Company has finalized of designing operational aspects of the design phase which includes establishing comprehensive data policy and data dictionary and architectural designs for various sub-systems.
<b>Technical and financial area</b>	The Company has completed various policy papers encompassing various technical and financial matters after concluding on policy decisions required under the IFRS 17 standard. The policy decisions are taken after due deliberations among various stakeholders.
<b>Assurance plan</b>	The Company is working along with its other stakeholders to finalize the assurance plan for transitional and post-implementation periods.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments in associates**

An associate is an entity in which the Company has significant influence (but not control), over financial and operating policies and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. At each reporting date, the Company determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the statement of income, as the case may be

At each reporting date, the Company determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement of income, as the case may be.

On derecognition the difference between the carrying amount of investment in the associate and the fair value of the consideration received is recognized in the statement of income.

**4 CASH AND CASH EQUIVALENTS**

	<b>30 September 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
	<b>SR (000)</b>	
<b>Insurance operations</b>		
Cash in banks	<b>44,984</b>	37,074
Cash on hand	<b>19</b>	19
Short term Murabaha deposits	<b>164,154</b>	170,726
	<b>209,157</b>	207,819
<b>Shareholders' operations</b>		
Cash in banks	<b>3,448</b>	141,930
Short term Murabaha deposits	<b>92,953</b>	129,632
	<b>96,401</b>	271,562
<b>Total cash and cash equivalents</b>	<b>305,558</b>	479,381

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 4.24% per annum as at 30 September 2022 (31 December 2021: 1.73%). The carrying amounts disclosed above are not materially different from their fair values at the date of the interim condensed statement of financial position.

Cash at bank includes an amount of SR 14.5 million (Note 20) (2021: SR 732 thousand) that pertains to the company's share of Inherent Defect Insurance (IDI) portfolio.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**5 MURABAHA DEPOSITS**

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
<b>Insurance operations</b>		
Murabaha deposits	171,319	129,113
<b>Shareholders' operations</b>		
Murabaha deposits	75,601	-
Total Murabaha deposits	<u>246,920</u>	<u>129,113</u>

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 3.32% per annum as at 30 September 2022 (31 December 2021: 1.57% per annum).

The carrying amounts disclosed above are not materially different from their fair values at the date of the interim condensed statement of financial position.

**6 PREMIUMS AND REINSURERS' RECEIVABLE - NET**

Receivables comprise amounts due from the following:

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
Policyholders	311,428	233,414
Reinsurers	6,562	1,396
Insurance companies	16,227	11,581
Agents and brokers	11,531	16,067
	<u>345,748</u>	<u>262,458</u>
Less:		
Provision for doubtful receivables - insurance	(47,772)	(43,287)
Provision for doubtful receivables - reinsurers	(312)	(287)
	<u>(48,084)</u>	<u>(43,574)</u>
	<u>297,664</u>	<u>218,884</u>

The movement in the provision for doubtful receivables is as follows:

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
Balance at the beginning of the period/year	43,574	36,528
Provision made during the period/year	4,510	7,046
Balance at the end of the period/year	<u>48,084</u>	<u>43,574</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**7 TECHNICAL RESERVES**

**a) Outstanding claims and reserves**

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
Outstanding claims	<b>118,682</b>	59,549
Claims incurred but not reported (IBNR)	<b>211,666</b>	209,110
Additional premium reserves	<b>11,671</b>	28,412
Other technical reserves	<b>4,335</b>	4,432
	<b>346,354</b>	301,503
Reinsurers' share of outstanding claims	<b>(124,555)</b>	(90,130)
Reinsurers' share of claims incurred but not reported	<b>(10,740)</b>	(20,802)
	<b>(135,295)</b>	(110,932)
Net outstanding claims and reserves	<b>211,059</b>	190,571

**b) Unearned premiums**

	<b>30 September 2022 (Unaudited)</b>		
	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
	<b>SR (000)</b>		
Unearned premiums at beginning of the period	<b>427,085</b>	<b>(14,487)</b>	<b>412,598</b>
Premiums written during the period	<b>745,819</b>	<b>(68,663)</b>	<b>677,156</b>
Premiums earned during the period	<b>(717,997)</b>	<b>57,666</b>	<b>(660,331)</b>
Unearned premiums at end of the period	<b>454,907</b>	<b>(25,484)</b>	<b>429,423</b>
	<b>31 December 2021 (Audited)</b>		
	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
	<b>SR (000)</b>		
Unearned premiums at beginning of the year	330,974	(17,051)	313,923
Premiums written during the year	942,107	(64,720)	877,387
Premiums earned during the year	(845,996)	67,284	(778,712)
Unearned premiums at end of the year	427,085	(14,487)	412,598

**c) Unearned reinsurance commission**

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
Balance at beginning of the period/year	<b>3,488</b>	4,001
Commission received during the period/year	<b>12,222</b>	7,810
Commission earned during the period/year	<b>(9,921)</b>	(8,323)
Balance at end of the period/year	<b>5,789</b>	3,488

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**7 TECHNICAL RESERVES (continued)**

**d) Deferred policy acquisition costs**

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
	<b>SR (000)</b>	
Balance at beginning of the period/year	<b>25,618</b>	20,117
Paid during the period/year	<b>58,653</b>	71,331
Amortized during the period/year	<b>(53,732)</b>	(65,830)
Balance at end of the period/year	<b>30,539</b>	25,618

**8 AVAILABLE-FOR-SALE INVESTMENTS**

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
	<b>SR (000)</b>	
<b>Insurance operations</b>		
<b>Quoted</b>		
Equity shares	<b>187</b>	6,269
<b>Unquoted</b>		
Funds	<b>52,482</b>	50,114
Equity shares	<b>5,115</b>	5,115
	<b>57,784</b>	61,498
<b>Shareholders' operations</b>		
<b>Quoted</b>		
Equity shares	<b>69,341</b>	65,898
<b>Unquoted</b>		
Funds	<b>31,169</b>	30,430
Equity shares	<b>2,900</b>	3,800
	<b>103,410</b>	100,128
<b>Total available for sale investments</b>	<b>161,194</b>	161,626

The fair values of the unquoted mutual funds computed above are based on the latest reported of net assets value as at the reporting date. Unquoted equity shares in shareholders' operations which is carried at cost due to absence of active market or other means of reliably measuring its fair value. An impairment review is performed at each reporting date.

During the period ending at September 30, 2022, the investment in Najm insurance services has been reclassified from 'available for sale investment' to 'investment in associates' (Refer Note 9).

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**8 AVAILABLE-FOR-SALE INVESTMENTS (continued)**

**Movement in the investments balance is as follows:**

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
<b>Insurance operations</b>		
Balance at beginning of the period / year at cost	<b>60,110</b>	53,976
Addition during the period / year	-	12,669
Transfer to shareholder investment during the period / year	-	(1,219)
Disposals during the period / year	<b>(6,081)</b>	(5,316)
Balance at end of the period / year at cost	<b>54,029</b>	60,110
Unrealized gain on available-for-sale investments	<b>3,755</b>	1,388
Balance at end of the period / year at fair value	<b>57,784</b>	61,498
<b>Shareholders' operations</b>		
Balance at beginning of the period / year at cost	<b>100,987</b>	61,909
Addition during the period / year	<b>12,134</b>	57,963
Transfer from policyholder investment during the period / year	-	1,219
Value of investment reclassified to investment in associate (Note 9)	<b>(1,923)</b>	-
Disposals during the period / year	<b>(4,424)</b>	(20,104)
Balance at end of the period / year at cost	<b>106,774</b>	100,987
Unrealized loss on available-for-sale investments	<b>(3,364)</b>	(859)
Balance at end of the period / year at fair value	<b>103,410</b>	100,128
Total available for sale investments	<b>161,194</b>	161,626

**9 INVESTMENT IN ASSOCIATES**

	<b>30 September</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
Balance at beginning of the period / year	-	-
Value of investment reclassified from available for sale	<b>1,923</b>	-
Share of investee's net assets	<b>10,212</b>	-
Share of profit for the period / year	<b>1,105</b>	-
Balance at end of the period / year	<b>13,240</b>	-

The investment in associate is solely for shareholders' operation (2021:Nil). The Company exercised significant influence over the investee on 27 January 2022 by representation on the investee's Board of Directors. due to that event the equity method was applied to account for the investment from the event date. That results in increases in the investment to the extent of the interest in the associate's net assets. The company holds 3.45% ownership interest.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**10 INVESTMENT HELD TO MATURITY**

Movement in the investment held to maturity balance is as follows:

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
<b>Insurance operations</b>		
Balance at beginning of the period / year	<b>10,000</b>	10,000
Addition during the period / year	<b>4,900</b>	-
Matured during the period / year	-	-
Balance at end of the period / year	<b>14,900</b>	10,000

During the period ending 30 September 2022, the Company invested in governmental sukuk of SR 4.9 million with discount which was classified as held to maturity. The sukuk is having maturity of 5 years, principle amount of SR 5 million with coupon rate of 3.35%.

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
<b>Shareholders' operations</b>		
Balance at beginning of the period / year	<b>9,724</b>	-
Addition during the period / year	-	9,724
Matured during the period / year	<b>(1,880)</b>	-
Balance at end of the period / year	<b>7,844</b>	9,724
Total investment held to maturity	<b>22,744</b>	19,724

**11 PROVISION FOR ZAKAT**

**a) Zakat payable**

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

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>SR (000)</b>	
Balance at beginning of the period/year	<b>17,252</b>	20,374
Charge for the period/year	<b>8,665</b>	12,810
Reversal of zakat provision during the period/year	-	(5,855)
Payments during the period/year	<b>(3,910)</b>	(10,077)
Balance at end of the period/year	<b>22,007</b>	17,252

**b) Status of assessments**

The Company had filed the Zakat return for the years 2016 to 2020 and received a temporary Zakat certificate. Assessments have been received from ZATCA to date in respect of these years. For the year 2021, the Company has filed the Zakat return before deadline of April 30, 2022 and received temporary Zakat certificate.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**11 PROVISION FOR ZAKAT (continued)**

**c) Status of appeals (continued)**

**The years from 2016 to 2018:** On December 27, 2020, the ZATCA raised its assessments for those years claiming additional zakat liability of Saudi Riyals 3.3 million, then the company has appealed against such assessment within the legally prescribed period. As result, ZATCA has partially accepted the company's appeal and issued a revised assessment for the company's favor which resulted an overpaid amount of Saudi Riyals (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 verbal decision which resulted an overpaid amount of Saudi Riyals (1.8 million) for the company based on understanding of such verbal decision. Noting that both the company and ZATCA have the right to appeal against such ruling to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR") (Which is the second and final level of GSTC committees) once issuing the official written ruling by CRTVD which expected to be issued soon. Thus, such CRTVD ruling is not final.

**The years 2019 & 2020:** On September 30, 2021, the Zakat, Tax and Customs Authority ("ZATCA") raised its assessments for those years claiming additional zakat liability of Saudi Riyals 5.2 million, then the company has appealed against such assessment within the legally prescribed period. As result, ZATCA has partially accepted the company's appeal and issued a revised assessment through which the additional zakat liability has been reduced to Saudi Riyals 4.9 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, and the company has escalated its appeal case to the GSTC. During September 2022, CRTVD has issued its verbal decision and reduced the zakat liability to 3.7 million based on understanding of such verbal decision. Noting that both the company and ZATCA have the right to appeal against such ruling to the ACTVDR once issuing the official written ruling by CRTVD which expected to be issued soon. Thus, such CRTVD ruling is not final.

**12 SHARE CAPITAL**

As at 30 September 2022 and 31 December 2021, 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.

**13 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:

	<b>Nine-months period ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Basic and diluted earnings per share	<b>(0.65)</b>	<b>(1.02)</b>
Weighted average number of shares	<b>50,000</b>	<b>50,000</b>

**14 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.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**15 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.

**16 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).

The fair values of all other financial assets and liabilities which are carried at cost, are not significantly different from the carrying values included in these financial statements, since the current market rates for similar financial instruments are not significantly different from the contracted rates, and on account of the short duration of the assets and liabilities.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The following table summarizes the financial assets recorded at fair value as of 30 September 2022 and 31 December 2021 by level of the fair value hierarchy. There are no transfers among the levels during the period. Also refer to note 8.

**As at 30 September 2022 (Unaudited)**

	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>SR (000)</u>				
<b>Financial assets:</b>					
<b>Available-for-sale investments</b>					
<b>Insurance operations</b>					
Equity securities	5,302	187	-	5,115	5,302
Mutual Funds	52,482	-	-	52,482	52,482
<b>Shareholders' operations</b>					
Equity securities	72,241	69,341	-	2,900	72,241
Mutual Funds/Sukuks	31,169	-	-	31,169	31,169
	<u>161,194</u>	<u>69,528</u>	<u>-</u>	<u>91,666</u>	<u>161,194</u>

**As at 31 December 2021 (Audited)**

	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>SR (000)</u>				
<b>Financial assets:</b>					
<b>Available-for-sale investments</b>					
<b>Insurance operations</b>					
Equity securities	11,384	6,269	-	5,115	11,384
Mutual Funds	50,114	-	-	50,114	50,114
<b>Shareholders' operations</b>					
Equity securities	69,698	65,898	-	3,800	69,698
Mutual Funds/Sukuks	30,430	-	-	30,430	30,430
	<u>161,626</u>	<u>72,167</u>	<u>-</u>	<u>89,459</u>	<u>161,626</u>

**17 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 September</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
	<u>SR (000)</u>	
Letters of guarantee	14,154	20,974

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**18 RELATED PARTY TRANSACTIONS**

Related parties represent transactions with Najm the investment in associate, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management.

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

	<b>Nine-months period ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SR (000)</b>	
Remuneration paid to Board of Directors	<b>800</b>	3,726
Board of Directors' and Committees meeting fees	<b>201</b>	461

**Remuneration and compensation of key management personnel:**

	<b>Nine-months period ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SR (000)</b>	
Salaries and allowances	<b>5,617</b>	5,139
End of service indemnities	<b>378</b>	294

**Transactions with associates:**

	<b>Nine-months period ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SR (000)</b>	
Payments of Najm fees	<b>17,780</b>	26,108
Collection of Manafeth premiums	<b>6,270</b>	2,746

**19 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, income from Murabaha deposits, other income, general and administrative expenses, and provision for doubtful debts.

Segment results do not include commission on short-term Murabaha deposits. Segment assets do not include insurance operations' cash and cash equivalents, Murabaha deposits, available for sale investments, premium and reinsurers' receivable net, prepayments and other assets and property and equipment. Accordingly, they are included in unallocated assets. Segment liabilities do not include reinsurance balances payable, policyholders claims payable, accrued and other liabilities, accumulated surplus and due to related parties. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums and reinsurers' receivable and depreciation on the property and equipment) are not reported to Chief Executive Officer under related segments and are monitored on a centralized basis.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**19 SEGMENT INFORMATION (continued)**

Operating segment	Nine-months period ended 30 September 2022			
	(Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR (000)			
<b>Revenues</b>				
Gross premiums written				
-Individuals	8,299	180,183	48	188,530
-Very small enterprises	3,645	1,184	3	4,832
-Small enterprises	54,321	30,263	1,158	85,742
-Medium enterprises	86,046	12,072	8,735	106,853
-Corporates	262,989	38,555	58,318	359,862
	<u>415,300</u>	<u>262,257</u>	<u>68,262</u>	<u>745,819</u>
Reinsurance premiums ceded				
- Local	-	-	(6,075)	(6,075)
- International	(9)	-	(51,294)	(51,303)
	<u>(9)</u>	<u>-</u>	<u>(57,369)</u>	<u>(57,378)</u>
Excess of loss expenses				
- Local	(1,850)	(402)	(227)	(2,479)
- International	(1,850)	(5,217)	(1,739)	(8,806)
	<u>(3,700)</u>	<u>(5,619)</u>	<u>(1,966)</u>	<u>(11,285)</u>
<b>Net premiums written</b>	<u>411,591</u>	<u>256,638</u>	<u>8,927</u>	<u>677,156</u>
Movement in unearned premiums, net	(81,820)	66,182	(1,187)	(16,825)
<b>Net premiums earned</b>	<u>329,771</u>	<u>322,820</u>	<u>7,740</u>	<u>660,331</u>
Reinsurance commissions	-	-	9,921	9,921
Other underwriting income	2,899	97	9,692	12,688
<b>Net revenues</b>	<u>332,670</u>	<u>322,917</u>	<u>27,353</u>	<u>682,940</u>
<b>Underwriting costs and expenses</b>				
Gross claims paid	(189,748)	(371,367)	1,378	(559,737)
Reinsurers' share of claims paid	1,320	8,274	(1,775)	7,819
<b>Net claims paid</b>	<u>(188,428)</u>	<u>(363,093)</u>	<u>(397)</u>	<u>(551,918)</u>
Movement in outstanding claims, net	(47,625)	22,924	(8)	(24,709)
Movement in claims incurred but not reported, net	(8,748)	(4,320)	450	(12,618)
Movement in additional premium reserve	(1,280)	18,516	(495)	16,741
Movement in other technical reserves	(241)	(70)	408	97
<b>Net claims incurred</b>	<u>(246,322)</u>	<u>(326,043)</u>	<u>(42)</u>	<u>(572,407)</u>
Policy acquisition costs	(22,584)	(23,811)	(7,337)	(53,732)
Other underwriting expense	(196)	(22,714)	(13)	(22,923)
<b>Total underwriting costs and expenses</b>	<u>(269,102)</u>	<u>(372,568)</u>	<u>(7,392)</u>	<u>(649,062)</u>
<b>Net underwriting income / (cost)</b>	<u>63,568</u>	<u>(49,651)</u>	<u>19,961</u>	<u>33,878</u>
Unallocated revenue				40,747
Unallocated expenses				(98,566)
<b>Total loss before Zakat for the period</b>				<u>(23,941)</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**19 SEGMENT INFORMATION (Continued)**

Operating segment	Nine-months period ended 30 September 2021 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR (000)			
Revenues				
Gross premiums written				
-Individuals	435	245,628	429	246,492
-Very small enterprises	2,588	1,645	40	4,273
-Small enterprises	33,089	17,055	572	50,716
-Medium enterprises	53,991	11,490	4,961	70,442
-Corporates	233,162	121,037	45,075	399,274
	<u>323,265</u>	<u>396,855</u>	<u>51,077</u>	<u>771,197</u>
Reinsurance premiums ceded				
- Local	-	-	(4,012)	(4,012)
- International	(65)	-	(39,577)	(39,642)
	<u>(65)</u>	<u>-</u>	<u>(43,589)</u>	<u>(43,654)</u>
Excess of loss expenses				
- Local	(340)	(679)	(173)	(1,192)
- International	(410)	(7,062)	(1,642)	(9,113)
	<u>(750)</u>	<u>(7,741)</u>	<u>(1,815)</u>	<u>(10,305)</u>
Net premiums written	322,450	389,114	5,674	717,238
Movement in unearned premiums, net	(68,115)	(87,656)	(251)	(156,022)
Net premiums earned	<u>254,335</u>	<u>301,458</u>	<u>5,423</u>	<u>561,216</u>
Reinsurance commissions	-	-	9,401	9,401
Other underwriting income	252	464	216	932
Net revenues	<u>254,587</u>	<u>301,922</u>	<u>15,040</u>	<u>571,549</u>
<b>Underwriting costs and expenses</b>				
Gross claims paid	(210,782)	(304,191)	(16,643)	(531,616)
Reinsurers' share of claims paid	1,714	1,696	12,722	16,132
Net claims paid	<u>(209,068)</u>	<u>(302,495)</u>	<u>(3,921)</u>	<u>(515,484)</u>
Movement in outstanding claims, net	17,282	17,934	3,530	38,746
Movement in IBNR, net	2,664	(6,540)	490	(3,386)
Movement in additional premium reserve	6,756	(8,506)	(751)	(2,501)
Movement in other technical reserve	161	(136)	75	100
Net claims incurred	<u>(182,205)</u>	<u>(299,743)</u>	<u>(577)</u>	<u>(482,525)</u>
Policy acquisition costs	(18,196)	(22,968)	(6,391)	(47,555)
Other underwriting expense	-	(13,492)	-	(13,492)
Total underwriting costs and expenses	<u>(200,401)</u>	<u>(336,203)</u>	<u>(6,968)</u>	<u>(543,572)</u>
Net underwriting income / (cost)	<u>54,186</u>	<u>(34,281)</u>	<u>8,072</u>	<u>27,977</u>
Unallocated revenue				31,448
Unallocated expenses				(100,745)
Total loss before Zakat for the period				<u>(41,320)</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**19 SEGMENT INFORMATION (continued)**

Operating segment	As at 30 September 2022 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR (000)			
<b>Assets</b>				
Reinsurer's share of unearned premiums	6	-	25,478	25,484
Reinsurers' share of outstanding claims	3,138	17,612	103,805	124,555
Reinsurers' share of claims incurred but not report	-	-	10,740	10,740
Deferred policy acquisition costs	15,882	11,026	3,631	30,539
<b>Segment assets</b>	<b>19,026</b>	<b>28,638</b>	<b>143,654</b>	<b>191,318</b>
Unallocated assets				1,208,901
<b>Total assets</b>				<b>1,400,219</b>
<b>Liabilities</b>				
Unearned premiums	236,558	188,318	30,031	454,907
Unearned reinsurance commission	-	-	5,789	5,789
Outstanding claims	80,012	(70,881)	109,551	118,682
Claims incurred but not reported (IBNR)	43,125	156,804	11,737	211,666
Additional premium reserves	1,510	8,492	1,669	11,671
Other technical reserves	611	2,520	1,204	4,335
<b>Segment liabilities</b>	<b>361,816</b>	<b>285,253</b>	<b>159,981</b>	<b>807,050</b>
Unallocated liabilities				254,909
Total equity				338,260
<b>Total liabilities and equity</b>				<b>1,400,219</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**19 SEGMENT INFORMATION (continued)**

Operating segment	As at 31 December 2021 (Audited)			
	Medical	Motor	Property & casualty	Total
	SR (000)			
Assets				
Reinsurers' share of outstanding claims	2,685	18,221	69,224	90,130
Reinsurers' share of IBNR	-	-	20,802	20,802
Reinsurers' share of unearned premiums	7	-	14,480	14,487
Deferred policy acquisition costs	10,000	13,417	2,201	25,618
Segment assets	12,692	31,638	106,707	151,037
Unallocated assets				1,155,303
Total assets				1,306,340
Liabilities				
Unearned premiums	154,739	254,500	17,846	427,085
Unearned reinsurance commission	-	-	3,488	3,488
Outstanding claims	31,935	(47,348)	74,962	59,549
Claims incurred but not reported	34,377	152,484	22,249	209,110
Additional premium reserves	230	27,008	1,174	28,412
Other technical reserves	370	2,450	1,612	4,432
Segment liabilities	221,651	389,094	121,331	732,076
Unallocated liabilities and surplus				202,688
Total equity				371,576
Total liabilities and equity				1,306,340

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**19 SEGMENT INFORMATION (continued)**

Operating segment	Three-months period ended 30 September 2022 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR (000)			
<b>Revenues</b>				
Gross premiums written				
-Individuals	2,178	95,988	41	98,207
-Very small enterprises	1,159	276	-	1,435
-Small enterprises	17,553	10,102	595	28,250
-Medium enterprises	24,968	1,911	5,220	32,099
-Corporates	74,252	17,151	10,526	101,929
	<u>120,110</u>	<u>125,428</u>	<u>16,382</u>	<u>261,920</u>
Reinsurance premiums ceded				
- Local	-	-	(2,111)	(2,111)
- International	(3)	-	(11,249)	(11,252)
	<u>(3)</u>	<u>-</u>	<u>(13,360)</u>	<u>(13,363)</u>
Excess of loss expenses				
- Local	(1,579)	(206)	(151)	(1,936)
- International	(1,579)	(2,732)	(1,007)	(5,318)
	<u>(3,158)</u>	<u>(2,938)</u>	<u>(1,158)</u>	<u>(7,254)</u>
<b>Net premiums written</b>	<u>116,949</u>	<u>122,490</u>	<u>1,864</u>	<u>241,303</u>
Movement in unearned premiums, net	(433)	(27,726)	10	(28,149)
<b>Net premiums earned</b>	<u>116,516</u>	<u>94,764</u>	<u>1,874</u>	<u>213,154</u>
Reinsurance commissions	-	-	2,848	2,848
Other underwriting income	2,153	32	8,653	10,838
<b>Net revenues</b>	<u>118,669</u>	<u>94,796</u>	<u>13,375</u>	<u>226,840</u>
<b>Underwriting costs and expenses</b>				
Gross claims paid	(65,912)	(109,080)	(420)	(175,412)
Reinsurers' share of claims paid	476	2,890	329	3,695
<b>Net claims paid</b>	<u>(65,436)</u>	<u>(106,190)</u>	<u>(91)</u>	<u>(171,717)</u>
Movement in outstanding claims, net	(18,883)	8,577	(505)	(10,811)
Movement in IBNR, net	(1,180)	(5,370)	2,362	(4,188)
Movement in additional premium reserve	2,194	7,473	(651)	9,016
Movement in other technical reserve	(79)	(86)	699	534
<b>Net claims incurred</b>	<u>(83,384)</u>	<u>(95,596)</u>	<u>1,814</u>	<u>(177,166)</u>
Policy acquisition costs	(8,983)	(9,260)	(2,685)	(20,928)
Other underwriting expense	-	(5,645)	(1)	(5,646)
<b>Total underwriting costs and expenses</b>	<u>(92,367)</u>	<u>(110,501)</u>	<u>(872)</u>	<u>(203,740)</u>
<b>Net underwriting income / (cost)</b>	<u>26,302</u>	<u>(15,705)</u>	<u>12,503</u>	<u>23,100</u>
Unallocated revenue				9,358
Unallocated expenses				(31,463)
<b>Total income before Zakat for the period</b>				<u>995</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**19 SEGMENT INFORMATION (Continued)**

Operating segment	Three-months period ended 30 September 2021 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR (000)			
Revenues				
Gross premiums written				
-Individuals	124	138,975	255	139,354
-Very small enterprises	1,483	615	7	2,105
-Small enterprises	14,568	6,761	159	21,488
-Medium enterprises	18,691	3,384	1,629	23,704
-Corporates	61,192	28,270	8,849	98,311
	<u>96,058</u>	<u>178,005</u>	<u>10,899</u>	<u>284,962</u>
Reinsurance premiums ceded				
- Local	-	-	(1,004)	(1,004)
- International	(1)	-	(7,508)	(7,509)
	<u>(1)</u>	<u>-</u>	<u>(8,512)</u>	<u>(8,513)</u>
Excess of loss expenses				
- Local	(125)	(98)	(61)	(284)
- International	(125)	(1,242)	(343)	(1,710)
	<u>(250)</u>	<u>(1,340)</u>	<u>(404)</u>	<u>(1,994)</u>
Net premiums written	95,807	176,665	1,983	274,455
Movement in unearned premiums, net	(3,980)	(66,084)	(126)	(70,190)
Net premiums earned	<u>91,827</u>	<u>110,581</u>	<u>1,857</u>	<u>204,265</u>
Reinsurance commissions	-	-	2,614	2,614
Other underwriting income	77	377	(19)	435
Net revenues	<u>91,904</u>	<u>110,958</u>	<u>4,452</u>	<u>207,314</u>
<b>Underwriting costs and expenses</b>				
Gross claims paid	(51,623)	(117,225)	(3,819)	(172,667)
Reinsurers' share of claims paid	345	823	3,581	4,749
Net claims paid	<u>(51,278)</u>	<u>(116,402)</u>	<u>(238)</u>	<u>(167,918)</u>
Movement in outstanding claims, net	(5,251)	5,469	(4)	214
Movement in IBNR, net	(11,183)	283	35	(10,865)
Movement in additional premium reserve	2,677	(13,887)	(206)	(11,416)
Movement in other technical reserve	(128)	6	-	(122)
Net claims incurred	<u>(65,163)</u>	<u>(124,531)</u>	<u>(413)</u>	<u>(190,107)</u>
Policy acquisition costs	(6,591)	(9,585)	(1,820)	(17,996)
Other underwriting expense	-	(7,813)	-	(7,813)
Total underwriting costs and expenses	<u>(71,754)</u>	<u>(141,929)</u>	<u>(2,233)</u>	<u>(215,916)</u>
Net underwriting income	<u>20,150</u>	<u>(30,971)</u>	<u>2,219</u>	<u>(8,602)</u>
Unallocated revenue				7,134
Unallocated expenses				(31,957)
Total loss before Zakat for the period				<u>(33,425)</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

As at 30 September 2022

**20 SUPPLEMENTARY INFORMATION**

**20.1 Interim condensed statement of financial position**

	<b>Insurance Operations</b>		<b>Shareholders' Operations</b>		<b>Total</b>	
	<b>30 September</b>	31 December	<b>30 September</b>	31 December	<b>30 September</b>	31 December
	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)	<b>(Unaudited)</b>	(Audited)	<b>(Unaudited)</b>	(Audited)
	<b>SR (000)</b>					
<b>ASSETS</b>						
Cash and cash equivalents	<b>209,157</b>	207,819	<b>96,401</b>	271,562	<b>305,558</b>	479,381
Murabaha deposits	<b>171,319</b>	129,113	<b>75,601</b>	-	<b>246,920</b>	129,113
Premiums and reinsurers' receivable - net	<b>297,664</b>	218,884	-	-	<b>297,664</b>	218,884
Reinsurers' share of unearned premiums	<b>25,484</b>	14,487	-	-	<b>25,484</b>	14,487
Reinsurers' share of outstanding claims	<b>124,555</b>	90,130	-	-	<b>124,555</b>	90,130
Reinsurers' share of claims incurred but not reported	<b>10,740</b>	20,802	-	-	<b>10,740</b>	20,802
Deferred policy acquisition costs	<b>30,539</b>	25,618	-	-	<b>30,539</b>	25,618
Deferred excess of loss premiums	<b>2,222</b>	83	-	-	<b>2,222</b>	83
Available-for-sale investments	<b>57,784</b>	61,498	<b>103,410</b>	100,128	<b>161,194</b>	161,626
Investment in associates	-	-	<b>13,240</b>	-	<b>13,240</b>	-
Investment held to maturity	<b>14,900</b>	10,000	<b>7,844</b>	9,724	<b>22,744</b>	19,724
Prepayments and other assets	<b>68,432</b>	53,932	<b>1,333</b>	2,547	<b>69,765</b>	56,479
Property and equipment	<b>4,007</b>	4,846	-	-	<b>4,007</b>	4,846
Statutory deposit	-	-	<b>75,000</b>	75,000	<b>75,000</b>	75,000
Accrued commission income on statutory deposit	-	-	<b>10,587</b>	10,167	<b>10,587</b>	10,167
	<b>1,016,803</b>	837,212	<b>383,416</b>	469,128	<b>1,400,219</b>	1,306,340
Due (to) / from insurance operations	-	-	<b>(5,102)</b>	(58,804)	<b>(5,102)</b>	(58,804)
<b>TOTAL ASSETS</b>	<b>1,016,803</b>	837,212	<b>378,314</b>	410,324	<b>1,395,117</b>	1,247,536

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

As at 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.1 Interim condensed statement of financial position (continued)**

	<b>Insurance Operations</b>		<b>Shareholders' Operations</b>		<b>Total</b>	
	<b>30 September</b>	31 December	<b>30 September</b>	31 December	<b>30 September</b>	31 December
	<b>2022</b>	2021	<b>2022</b>	2021	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)	<b>(Unaudited)</b>	(Audited)	<b>(Unaudited)</b>	(Audited)
	<b>SR (000)</b>					
<b>LIABILITIES</b>						
Policyholders claims payable	<b>18,814</b>	33,535	-	-	<b>18,814</b>	33,535
Accrued expenses and other liabilities	<b>134,018</b>	92,722	<b>539</b>	2,041	<b>134,557</b>	94,763
Reinsurance balances payable	<b>48,225</b>	25,809	-	-	<b>48,225</b>	25,809
Unearned premiums	<b>454,907</b>	427,085	-	-	<b>454,907</b>	427,085
Unearned reinsurance commission	<b>5,789</b>	3,488	-	-	<b>5,789</b>	3,488
Outstanding claims	<b>118,682</b>	59,549	-	-	<b>118,682</b>	59,549
Claims incurred but not reported (IBNR)	<b>211,666</b>	209,110	-	-	<b>211,666</b>	209,110
Additional premium reserve	<b>11,671</b>	28,412	-	-	<b>11,671</b>	28,412
Other technical reserves	<b>4,335</b>	4,432	-	-	<b>4,335</b>	4,432
Employees' end-of-service benefits	<b>19,711</b>	20,154	-	-	<b>19,711</b>	20,154
Accumulated surplus	<b>1,008</b>	1,008	-	-	<b>1,008</b>	1,008
Provision for zakat	-	-	<b>22,007</b>	17,252	<b>22,007</b>	17,252
Accrued commission income payable to SAMA	-	-	<b>10,587</b>	10,167	<b>10,587</b>	10,167
	<b>1,028,826</b>	905,304	<b>33,133</b>	29,460	<b>1,061,959</b>	934,764
Due (from) / to shareholders' operations	<b>(5,102)</b>	(58,804)	-	-	<b>(5,102)</b>	(58,804)
<b>TOTAL LIABILITIES</b>	<b>1,023,724</b>	846,500	<b>33,133</b>	29,460	<b>1,056,857</b>	875,960
<b>EQUITY</b>						
Share capital	-	-	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Statutory reserve	-	-	<b>2,131</b>	2,131	<b>2,131</b>	2,131
Accumulated losses	-	-	<b>(153,014)</b>	(120,408)	<b>(153,014)</b>	(120,408)
Fair value reserve for available-for-sale investments	<b>3,755</b>	1,388	<b>(3,364)</b>	(859)	<b>391</b>	529
Re-measurement reserve of defined benefit obligation	<b>(10,676)</b>	(10,676)	<b>(572)</b>	-	<b>(11,248)</b>	(10,676)
<b>TOTAL EQUITY</b>	<b>(6,921)</b>	(9,288)	<b>345,181</b>	380,864	<b>338,260</b>	371,576
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,016,803</b>	837,212	<b>378,314</b>	410,324	<b>1,395,117</b>	1,247,536

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-months periods ended 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.2 Interim condensed statement of income (continued)**

	Nine-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
<b>REVENUES</b>						
Gross premiums written	745,819	771,197	-	-	745,819	771,197
Reinsurance premiums ceded						
- Local	(6,075)	(4,012)	-	-	(6,075)	(4,012)
- International (includes premium ceded through local broker)	(51,303)	(39,642)	-	-	(51,303)	(39,642)
	(57,378)	(43,654)	-	-	(57,378)	(43,654)
Excess of loss expenses	(11,285)	(10,305)	-	-	(11,285)	(10,305)
<b>Net premiums written</b>	<b>677,156</b>	<b>717,238</b>	<b>-</b>	<b>-</b>	<b>677,156</b>	<b>717,238</b>
Movement in unearned premiums, net	(16,825)	(156,022)	-	-	(16,825)	(156,022)
<b>Net premiums earned</b>	<b>660,331</b>	<b>561,216</b>	<b>-</b>	<b>-</b>	<b>660,331</b>	<b>561,216</b>
Reinsurance commissions	9,921	9,401	-	-	9,921	9,401
Other underwriting income	12,688	932	-	-	12,688	932
<b>NET REVENUES</b>	<b>682,940</b>	<b>571,549</b>	<b>-</b>	<b>-</b>	<b>682,940</b>	<b>571,549</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(559,737)	(531,616)	-	-	(559,737)	(531,616)
Reinsurers' share of claims paid	7,819	16,132	-	-	7,819	16,132
<b>Net claims paid</b>	<b>(551,918)</b>	<b>(515,484)</b>	<b>-</b>	<b>-</b>	<b>(551,918)</b>	<b>(515,484)</b>
Movement in outstanding claims, net	(24,709)	38,746	-	-	(24,709)	38,746
Movement in claims incurred but not reported, net	(12,618)	(3,386)	-	-	(12,618)	(3,386)
Movement in additional premium reserve	16,741	(2,501)	-	-	16,741	(2,501)
Movement in other technical reserves	97	100	-	-	97	100
<b>Net claims incurred</b>	<b>(572,407)</b>	<b>(482,525)</b>	<b>-</b>	<b>-</b>	<b>(572,407)</b>	<b>(482,525)</b>
Policy acquisition costs	(53,732)	(47,555)	-	-	(53,732)	(47,555)
Other underwriting expense	(22,923)	(13,492)	-	-	(22,923)	(13,492)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(649,062)</b>	<b>(543,572)</b>	<b>-</b>	<b>-</b>	<b>(649,062)</b>	<b>(543,572)</b>
<b>NET UNDERWRITING INCOME</b>	<b>33,878</b>	<b>27,977</b>	<b>-</b>	<b>-</b>	<b>33,878</b>	<b>27,977</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-months periods ended 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.2 Interim condensed statement of income (continued)**

	Nine-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
Net underwriting income carried forward	33,878	27,977	-	-	33,878	27,977
<b>OTHER INCOME / (EXPENSES), NET</b>						
Provision for doubtful debts	(4,510)	(10,106)	-	-	(4,510)	(10,106)
Salaries and staff related costs	(60,433)	(57,621)	-	-	(60,433)	(57,621)
Other general and administrative expenses	(31,986)	(28,493)	(1,637)	(4,525)	(33,623)	(33,018)
Investment income	12,141	8,748	16,482	12,843	28,623	21,591
Share of profit from investment in associate	-	-	11,890	-	11,890	-
Other income	234	4,662	-	5,195	234	9,857
<b>TOTAL OTHER (EXPENSES) / INCOME, NET</b>	<b>(84,554)</b>	<b>(82,810)</b>	<b>26,735</b>	<b>13,513</b>	<b>(57,819)</b>	<b>(69,297)</b>
<b>Total (loss) / income for the period</b>	<b>(50,676)</b>	<b>(54,833)</b>	<b>26,735</b>	<b>13,513</b>	<b>(23,941)</b>	<b>(41,320)</b>
Surplus attributed to insurance operations	-	-	-	-	-	-
<b>zakat</b>	<b>(50,676)</b>	<b>(54,833)</b>	<b>26,735</b>	<b>13,513</b>	<b>(23,941)</b>	<b>(41,320)</b>
Zakat charge for the period	-	-	(8,665)	(9,733)	(8,665)	(9,733)
<b>Net (loss) / income attributable to shareholders' operations</b>	<b>(50,676)</b>	<b>(54,833)</b>	<b>18,070</b>	<b>3,780</b>	<b>(32,606)</b>	<b>(51,053)</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-months periods ended 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.3 Interim condensed statement of comprehensive income**

	Nine-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
Net loss for the period	-	-	(32,606)	(51,053)	(32,606)	(51,053)
Other comprehensive income:						
Items that may be reclassified to statement of income in subsequent periods:						
- Change in fair value of available-for-sale investments, net	2,367	677	(2,505)	1,940	(138)	2,617
Items that will not be reclassified to statements of income in subsequent years						
-Re-measurement loss on end of service benefits from investment in associate	-	-	(572)	-	(572)	-
Total comprehensive income / (loss) for the period	2,367	677	(35,683)	(49,113)	(33,316)	(48,436)
Total comprehensive income attributable to insurance operations	-	-	-	-	-	-
Total comprehensive income / (loss) attributable to shareholders	2,367	677	(35,683)	(49,113)	(33,316)	(48,436)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.2 Interim condensed statement of income (continued)**

	Three-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
<b>REVENUES</b>						
Gross premiums written	261,920	284,962	-	-	261,920	284,962
Reinsurance premiums ceded						
- Local	(2,111)	(1,004)	-	-	(2,111)	(1,004)
- International (includes premium ceded through local broker)	(11,252)	(7,509)	-	-	(11,252)	(7,509)
	(13,363)	(8,513)	-	-	(13,363)	(8,513)
Excess of loss expenses	(7,254)	(1,994)	-	-	(7,254)	(1,994)
<b>Net premiums written</b>	<b>241,303</b>	<b>274,455</b>	<b>-</b>	<b>-</b>	<b>241,303</b>	<b>274,455</b>
Movement in unearned premiums, net	(28,149)	(70,190)	-	-	(28,149)	(70,190)
<b>Net premiums earned</b>	<b>213,154</b>	<b>204,265</b>	<b>-</b>	<b>-</b>	<b>213,154</b>	<b>204,265</b>
Reinsurance commissions	2,848	2,614	-	-	2,848	2,614
Other underwriting income	10,838	435	-	-	10,838	435
<b>NET REVENUES</b>	<b>226,840</b>	<b>207,314</b>	<b>-</b>	<b>-</b>	<b>226,840</b>	<b>207,314</b>
<b>UNDERWRITING COSTS AND EXPENSES</b>						
Gross claims paid	(175,412)	(172,667)	-	-	(175,412)	(172,667)
Reinsurers' share of claims paid	3,695	4,749	-	-	3,695	4,749
<b>Net claims paid</b>	<b>(171,717)</b>	<b>(167,918)</b>	<b>-</b>	<b>-</b>	<b>(171,717)</b>	<b>(167,918)</b>
Movement in outstanding claims, net	(10,811)	214	-	-	(10,811)	214
Movement in claims incurred but not reported, net	(4,188)	(10,865)	-	-	(4,188)	(10,865)
Movement in additional premium reserve	9,016	(11,416)	-	-	9,016	(11,416)
Movement in other technical reserves	534	(122)	-	-	534	(122)
<b>Net claims incurred</b>	<b>(177,166)</b>	<b>(190,107)</b>	<b>-</b>	<b>-</b>	<b>(177,166)</b>	<b>(190,107)</b>
Policy acquisition costs	(20,928)	(17,996)	-	-	(20,928)	(17,996)
Other underwriting expense	(5,646)	(7,813)	-	-	(5,646)	(7,813)
<b>TOTAL UNDERWRITING COSTS AND EXPENSES</b>	<b>(203,740)</b>	<b>(215,916)</b>	<b>-</b>	<b>-</b>	<b>(203,740)</b>	<b>(215,916)</b>
<b>NET UNDERWRITING INCOME / (COST)</b>	<b>23,100</b>	<b>(8,602)</b>	<b>-</b>	<b>-</b>	<b>23,100</b>	<b>(8,602)</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-months periods ended 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.2 Interim condensed statement of income (continued)**

	Three-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
Net underwriting income / (cost) carried forward	23,100	(8,602)	-	-	23,100	(8,602)
<b>OTHER INCOME / (EXPENSES), NET</b>						
Provision for doubtful debts	(2,350)	(1,180)	-	-	(2,350)	(1,180)
Salaries and staff related costs	(19,780)	(18,943)	-	-	(19,780)	(18,943)
Other general and administrative expenses	(9,029)	(11,542)	(304)	(292)	(9,333)	(11,834)
Investment income	5,162	2,390	3,920	4,740	9,082	7,130
Share of profit from investment in associate	-	-	128	-	128	-
Other income	148	4	-	-	148	4
<b>TOTAL OTHER (EXPENSES) / INCOME, NET</b>	<b>(25,849)</b>	<b>(29,271)</b>	<b>3,744</b>	<b>4,448</b>	<b>(22,105)</b>	<b>(24,823)</b>
<b>Total (loss) / income for the period</b>	<b>(2,749)</b>	<b>(37,873)</b>	<b>3,744</b>	<b>4,448</b>	<b>995</b>	<b>(33,425)</b>
Surplus attributed to insurance operations	-	-	-	-	-	-
<b>Net (loss) / income attributable to shareholders before</b>	<b>(2,749)</b>	<b>(37,873)</b>	<b>3,744</b>	<b>4,448</b>	<b>995</b>	<b>(33,425)</b>
Zakat charge for the period	-	-	(2,165)	(3,244)	(2,165)	(3,244)
<b>Net (loss) / income attributable to shareholders' operations</b>	<b>(2,749)</b>	<b>(37,873)</b>	<b>1,579</b>	<b>1,204</b>	<b>(1,170)</b>	<b>(36,669)</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-months periods ended 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.3 Interim condensed statement of comprehensive income**

	Three-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
Net loss for the period	-	-	(1,170)	(36,669)	(1,170)	(36,669)
Other comprehensive income:						
Items that may be reclassified to statement of income in subsequent periods:						
- Change in fair value of available-for-sale investments, net	726	827	765	2,130	1,491	2,957
Total comprehensive income / (loss) for the period	726	827	(405)	(34,539)	321	(33,712)
Total comprehensive income attributable to insurance operations	-	-	-	-	-	-
Total comprehensive income / (loss) attributable to shareholders	726	827	(405)	(34,539)	321	(33,712)

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.4 Interim condensed statement of cash flows**

	Nine-months period ended 30 September (Unaudited)					
	Insurance Operations		Shareholders' Operations		Total	
	2022	2021	2022	2021	2022	2021
	SR (000)					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net loss for the period before zakat	-	-	(23,941)	(41,320)	(23,941)	(41,320)
<b>Adjustments for non-cash items:</b>						
Depreciation of property and equipment	1,447	1,383	-	-	1,447	1,383
Gain on disposal of available-for-sale investment	(1,364)	-	(8,791)	(3,098)	(10,155)	(3,098)
Share of profit from investment in associate	-	-	(11,890)	-	(11,890)	-
Provision for employees' end-of-service benefits	2,965	3,607	-	-	2,965	3,607
Provision for doubtful debts	4,510	10,106	-	-	4,510	10,106
Reversal of zakat provision	-	-	-	(5,388)	-	(5,388)
<b>Changes in operating assets and liabilities:</b>						
Premiums and reinsurers' receivable	(83,290)	(139,821)	-	-	(83,290)	(139,821)
Reinsurers' share of unearned premiums	(10,997)	(2,937)	-	-	(10,997)	(2,937)
Reinsurers' share of outstanding claims	(34,425)	5,392	-	-	(34,425)	5,392
Reinsurers' share of claims incurred but not reported	10,062	1,973	-	-	10,062	1,973
Deferred policy acquisition costs	(4,921)	(10,274)	-	-	(4,921)	(10,274)
Deferred excess of loss premiums	(2,139)	(83)	-	-	(2,139)	(83)
Prepayments and other assets	(14,500)	(32,569)	1,214	(4,298)	(13,286)	(36,867)
Policyholders claims payable	(14,721)	11,100	-	-	(14,721)	11,100
Accrued expenses and other liabilities	41,296	18,713	(1,501)	379	39,795	19,092
Reinsurance balances payable	22,416	17,245	-	-	22,416	17,245
Unearned premiums	27,822	158,958	-	-	27,822	158,958
Unearned reinsurance commission	2,301	653	-	-	2,301	653
Outstanding claims	59,133	(44,138)	-	-	59,133	(44,138)
Claims incurred but not reported	2,556	1,413	-	-	2,556	1,413
Additional premium reserve	(16,741)	2,501	-	-	(16,741)	2,501
Other technical reserves	(97)	(100)	-	-	(97)	(100)
Accumulated surplus	-	(4,658)	-	-	-	(4,658)
Accrued reinsurance balance	-	(2,409)	-	-	-	(2,409)
<b>Cash used in operations</b>	<b>(8,687)</b>	<b>(3,945)</b>	<b>(44,909)</b>	<b>(53,725)</b>	<b>(53,596)</b>	<b>(57,670)</b>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and nine-months periods ended 30 September 2022

**20 SUPPLEMENTARY INFORMATION (continued)**

**20.4 Interim condensed statement of cash flows (continued)**

20.4 Interim condensed statement of cash flows (continued)		Nine-months period ended 30 September (Unaudited)					
		Insurance Operations		Shareholders' Operations		Total	
		2022	2021	2022	2021	2022	2021
		SR (000)					
	Note						
Due to insurance operations		-	-	(53,702)	52,874	(53,702)	52,874
Due from shareholders' operations		53,702	(52,874)	-	-	53,702	(52,874)
Zakat paid		-	-	(3,910)	(8,585)	(3,910)	(8,585)
Employees' end-of-service benefits paid		(3,408)	(2,867)	-	-	(3,408)	(2,867)
Net cash generated from / (used in) operating activities		41,607	(59,686)	(102,521)	(9,436)	(60,914)	(69,122)
CASH FLOWS FROM INVESTING ACTIVITIES							
Net additions of Murabaha deposits		(42,206)	25,886	(75,601)	(100,000)	(117,807)	(74,114)
Proceeds from sale of available-for-sale investments		7,445	3,881	13,215	20,320	20,660	24,201
Additions of property and equipment		(608)	(4,179)	-	-	(608)	(4,179)
Additions to investment held to maturity		(4,900)	-	-	(9,574)	(4,900)	(9,574)
Proceeds from matured investments held to maturity		-	-	1,880	-	1,880	-
Additions to available-for-sale investments	8	-	(11,397)	(12,134)	(61,131)	(12,134)	(72,528)
Net cash generated from / (used in) investing activities		(40,269)	14,191	(72,640)	(150,385)	(112,909)	(136,194)
Net change in cash and cash equivalents							
		1,338	(45,495)	(175,161)	(159,821)	(173,823)	(205,316)
Cash and cash equivalents at the beginning of the period	4	207,819	203,466	271,562	356,604	479,381	560,070
Cash and cash equivalents at the end of the period	4	209,157	157,971	96,401	196,783	305,558	354,754
Supplemental non-cash information:							
Change in fair value of available-for-sale investments		2,367	677	(2,505)	1940	(138)	2,617
Commission income on statutory deposit		-	-	420	353	420	353

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**For the three-month and nine-months periods ended 30 September 2022**

---

**21 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.

**22 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified and regrouped to conform with the current year's presentation to these financial statements.

**23 SUBSEQUENT EVENTS**

The Company forfeited the significant influence over Najm Insurance services "the investee" on 9 October 2022, subsequent to the reporting date of the financial statements by election of new board of directors, and the representation on the investee's Board of Directors ceased. due to that event the investment was will be reclassified from investment in associate to available for sale investment at the book value from the date of significant influence forfeit.

**24 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Board of Directors on Rabi Al-Akhar 12, 1444 H corresponding to November 6, 2022.