

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

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

FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

MALATH COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNDAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months periods ended 31 March 2023

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INDEPENDENT AUDITORS' 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 31 March 2023, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period then 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

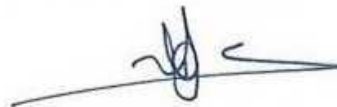
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements is not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

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03 July 2023G
15 Dhul Hijja 1444



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

	Notes	31 March 2023 (Unaudited)	31 December 2022 (Unaudited) Restated	1 January 2022 (Unaudited) Restated
ASSETS				
Cash and cash equivalents	5	89,653	338,139	479,373
Murabaha deposits	6	340,037	154,140	129,075
Reinsurance contract assets	7.2	153,409	127,860	105,907
Investments	8	218,583	206,982	217,817
Prepayments and other assets		116,398	93,061	36,404
Property and equipment		3,780	4,114	4,846
Statutory deposit		74,986	74,986	74,986
Accrued commission income on statutory deposit		11,946	10,778	10,167
TOTAL ASSETS		1,008,792	1,010,060	1,058,575
LIABILITIES				
Accrued expenses and other liabilities		35,092	31,825	37,101
Insurance contract liabilities	7.1	520,871	574,067	581,065
Employees' end-of-service benefits		17,967	17,149	20,154
Provision for zakat	9	25,881	23,631	17,252
Accrued commission income payable to SAMA		11,946	10,778	10,167
TOTAL LIABILITIES		611,757	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		(130,408)	(174,543)	(134,200)
Investments fair value reserve		33,613	33,895	35,581
Re-measurement losses on defined benefit plans		(8,873)	(8,873)	(10,676)
TOTAL EQUITY		397,035	352,610	392,836
TOTAL LIABILITIES AND EQUITY		1,008,792	1,010,060	1,058,575
COMMITMENTS AND CONTINGENCIES	15			

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL 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-months periods ended 31 March 2023

	Notes	Three-months period ended 31 March	
		2023 (Unaudited)	2022 (Unaudited) Restated
REVENUES			
Insurance service revenue	7.1	239,645	236,760
Insurance Service Expenses	7.1	(211,422)	(276,206)
Insurance service result before reinsurance contracts held		28,223	(39,446)
Allocation of reinsurance premiums	7.2	(12,798)	(12,940)
Amounts recoverable from reinsurance	7.2	25,828	9,779
Net recoverable / (expenses) from reinsurance contracts held		13,030	(3,161)
Insurance service result		41,253	(42,607)
Investment income on financial assets at amortised cost		5,273	6,671
Investment income on financial assets at FVTPL		5,699	7,123
Net credit impairment losses on financial assets		(24)	(37)
Other investment income		-	1,640
Net investment income		10,948	15,397
Finance expenses from insurance contracts issued	7.1	(3,867)	(1,169)
Finance income from reinsurance contracts held	7.2	924	512
Net insurance finance expenses		(2,943)	(657)
Net insurance and investment result		49,258	(27,867)
OTHER INCOME / (EXPENSES)			
Other operating expenses		(3,415)	(5,710)
Other income		4,982	335
TOTAL OTHER INCOME / (EXPENSES)		1,567	(5,375)
Net income / (loss) for the period		50,825	(33,242)
Surplus attributed to insurance operations		(4,440)	-
Net income / (loss) attributable to shareholders before zakat		46,385	(33,242)
Zakat charge for the period	9	(2,250)	(3,250)
Net income / (loss) attributable to shareholders' operations		44,135	(36,492)
Earnings / (loss) per share			
Basic and diluted earnings per share		0.88	(0.73)
Weighted average number of shares issued throughout the period (thousands)		50,000	50,000

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 COMPREHENSIVE INCOME

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the three-months periods ended 31 March 2023

	Three-months period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
		Restated
Net income / (loss) attributable to shareholders' operations	44,135	(36,492)
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	290	957
Total other comprehensive income for the period	290	957
Total comprehensive income / (loss) for the period	44,425	(35,535)



CHIEF FINANCIAL OFFICE



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 CHANGES IN EQUITY

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the three-months period ended 31 March 2023

	Share capital	Statutory reserve	Accumulated 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	-	-	44,135	-	-	44,135
Change in fair value of financial investments at FVTOCI	-	-	-	290	-	290
Total comprehensive income	-	-	44,135	290	-	44,425
Balance at 31 March 2023 (Unaudited)	500,000	2,131	(130,408)	34,185	(8,873)	397,035
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	-	-	(36,492)	-	-	(36,492)
Change in fair value of financial investments at FVTOCI	-	-	-	957	-	957
Total comprehensive loss	-	-	(36,492)	957	-	(35,535)
Balance at 31 March 2022 (Unaudited)	500,000	2,131	(170,692)	36,538	(10,676)	357,301
 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 CASH FLOWS

(All amounts in thousands Saudi Riyals unless otherwise stated)

For the three-months period ended 31 March 2023

		Three-months period ended 31	
		2023	2022
			(Restated)
Notes	(Unaudited)	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
	Net income / (loss) for the period before zakat	46,385	(33,242)
Adjustments for non-cash items:			
	Other investment income	-	(1,640)
	Depreciation of property and equipment	504	459
	Investment income on financial assets at FVTPL	(5,699)	(11,719)
7.1	Finance expenses from insurance contracts issued	3,867	1,169
7.2	Finance income from reinsurance contracts held	(924)	(512)
	Net credit impairment losses on financial assets	24	22
	Provision for employees' end-of-service benefits	1,098	1,432
Changes in operating assets and liabilities:			
	Reinsurance contract assets	(24,625)	17,156
	Prepayments and other assets	(23,336)	20,669
	Accrued expenses and other liabilities	3,249	(14,086)
	Insurance contract liabilities	(57,063)	3,984
	Cash used in operations	(56,520)	(16,308)
	Employees' end-of-service benefits paid	(280)	(1,508)
	Net cash used in operating activities	(56,800)	(17,816)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Net placement to Murabaha deposits	(185,897)	(90,370)
	Net (addition to) / proceeds from financial assets at FVTPL	(5,619)	4,284
	Addition to property and equipment	(170)	(147)
	Net cash used in investing activities	(191,686)	(86,233)
	Net change in cash and cash equivalents	(248,486)	(104,049)
	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 89,653	375,324
Supplemental non-cash information:			
	Change in fair value of financial investments at FVTOCI	290	957
	Commission income on statutory deposit	1,168	139

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)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months periods ended 31 March 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-months periods ended 31 March 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 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-months periods ended 31 March 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
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months periods ended 31 March 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 fulfilment 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 fulfilment 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-months periods ended 31 March 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-months periods ended 31 March 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.

**MALATH COOPERATIVE INSURANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months periods ended 31 March 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)

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 31 March, 2023 and 31 March, 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	(23,501)
Changes in measurement of reinsurance contract assets	8,312
Total Impact	(15,189)

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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	3,894
Total Impact	23,501

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	120,421	FVTPL	120,421
Equity Securities	AFS	16,205	FVTOCI	52,702
Debt Securities	AFS	25,000	Amortised cost	24,990
<u>Held to maturity investment</u>				
Investment in Sukuks	Held to Maturity	19,724	Amortised cost	19,694
<u>Statutory Deposit</u>	Amortised cost	75,000	Amortised cost	74,986
Total financial assets		864,844		901,241

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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)

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

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For the three-months periods ended 31 March 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 1 January 2022.

	1 January 2022 (Unaudited)						
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Reclassification	Restated As at January 1, 2022
ASSETS		Reclassification	Remeasurement	Reclassification	Remeasurement		
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	-	-	-	120,421	-	-	120,421
Financial assets at FVTOCI	-	-	-	16,205	36,497	-	52,702
Financial assets at amortised cost – net	-	-	-	44,724	(30)	-	44,694
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

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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)						
	Pre-adoption of IFRS 17 &	IFRS 17 Reclassification	IFRS 17 Remeasurement	IFRS 9 Reclassification	IFRS 9 Remeasurement	*Reclassification	Restated As at January 1, 2022
<u>LAIBILITIES</u>							
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
<u>EQUITY</u>							
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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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months periods ended 31 March 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		*Reclassification	
		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	-	-	-	105,011	-	-	105,011
Financial assets at FVTOCI	-	-	-	28,522	25,784	-	54,306
Financial assets at amortised cost – net	-	-	-	47,699	(34)	-	47,665
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 &	Reclassification	Remeasurement	Reclassification	Remeasurement	*Reclassification	
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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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 31 March 2022.

	31 March 2022 (Unaudited)						
	Pre-adoption	IFRS 17		IFRS 9		*Reclassification	Restated
REVENUES	of	Reclassification	Remeasurement	Reclassification	Remeasurement		
	IFRS 17 &						
Gross premiums written	286,394	(286,394)	-	-	-	-	-
Reinsurance premiums ceded	(33,125)	33,125	-	-	-	-	-
Excess of loss expenses	(2,011)	2,011	-	-	-	-	-
Net premiums written	251,258	(251,258)	-	-	-	-	-
Movement in unearned premiums, net	(28,341)	28,341	-	-	-	-	-
Net premiums earned	222,917	(222,917)	-	-	-	-	-
Reinsurance commissions	3,363	(3,363)	-	-	-	-	-
Other underwriting income	464	(464)	-	-	-	-	-
NET REVENUES	226,744	(226,744)	-	-	-	-	-
Insurance revenue	-	236,760	-	-	-	-	236,760
Insurance service expense and finance cost	-	(251,255)	(26,120)	-	-	-	(277,375)
Net insurance service result	-	(14,495)	(26,120)	-	-	-	(40,615)
Allocation of reinsurance premiums	-	(12,940)	-	-	-	-	(12,940)
Amounts recoverable from reinsurance and finance income	-	9,951	340	-	-	-	10,291
Net expenses from reinsurance contracts held	-	(2,989)	340	-	-	-	(2,649)

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For the three-months periods ended 31 March 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 31 March 2022.

	31 March 2022 (Unaudited)						
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9			
		Reclassification	Remeasurement	Reclassification	Remeasurement	*Reclassification	Restated
UNDERWRITING COSTS AND EXPENSES							
Gross claims paid	(197,747)	197,747	-	-	-	-	-
Reinsurers' share of claims paid	4,036	(4,036)	-	-	-	-	-
Net claims paid	(193,711)	193,711	-	-	-	-	-
Movement in outstanding claims, net	(11,861)	11,861	-	-	-	-	-
Movement in claims incurred but not reported, net	(10,781)	10,781	-	-	-	-	-
Movement in additional premium reserve	4,237	(4,237)	-	-	-	-	-
Movement in other technical reserves	(387)	387	-	-	-	-	-
Net claims incurred	(212,503)	212,503	-	-	-	-	-
Policy acquisition costs	(16,738)	16,738	-	-	-	-	-
Other underwriting expenses	(8,151)	8,151	-	-	-	-	-
Total underwriting costs	(237,392)	237,392	-	-	-	-	-
Investment income on financial assets at amortised cost	-	-	-	6,671	-	-	6,671
Investment income on financial assets at FVTPL	-	-	-	7,123	-	-	7,123
Net credit impairment losses on financial assets	-	-	-	-	(37)	-	(37)
Other investment income	-	-	-	1,640	-	-	1,640
Net investment income	-	-	-	15,434	(37)	-	15,397
Net insurance and investment result	-	(6,836)	(25,780)	15,434	(37)	-	(27,867)

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For the three-months periods ended 31 March 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 31 March 2022. (continued)

	31 March 2022 (Unaudited)						
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Reclassification	Restated
		Reclassification	Remeasurement	Reclassification	Remeasurement		
OTHER INCOME / (EXPENSES)							
Provision for doubtful debts	(2,597)	2,597	-	-	-	-	-
Salaries and staff related costs	(19,499)	19,499	-	-	-	-	-
Other general and administrative expenses	(13,090)	13,090	-	-	-	-	-
Investment income	12,736	(12,736)	-	-	-	-	-
Share of profit from investment in associate	11,762	(11,762)	-	-	-	-	-
Other income	335	-	-	-	-	-	335
Other operating expenses	-	(5,710)	-	-	-	-	(5,710)
Total other expenses, net	(10,353)	4,978	-	-	-	-	(5,375)
Net income loss for the period	(21,001)	(1,858)	(25,780)	15,434	(37)	-	(33,242)
Net loss attributable to shareholders before zakat	(21,001)	(1,858)	(25,780)	15,434	(37)	-	(33,242)
Zakat charge for the period	(3,250)	-	-	-	-	-	(3,250)
Net loss attributable to shareholders' operations	(24,251)	(1,858)	(25,780)	15,434	(37)	-	(36,492)

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For the three-months periods ended 31 March 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 31 March 2022. (continued)

	31 March 2022 (Unaudited)						
	Pre-adoption of IFRS 17 &	IFRS 17		IFRS 9		*Reclassification	Restated
		Reclassification	Remeasurement	Reclassification	Remeasurement		
Net loss for the period attributable to shareholders	(24,251)	(1,858)	(25,780)	15,434	(37)	-	(36,492)
Items that will be recycled to statements of income in subsequent years							
Change in fair value of available-for-sale investments, net	6,307	-	-	(6,307)	-	-	-
Items that will not be recycled to statements of income in subsequent years							
Change in fair value of financial investments at FVTOCI	-	-	-	957	-	-	957
Re-measurement loss on end of service benefits from investment in associate	(572)	-	-	572	-	-	-
Total other comprehensive income for the period	5,735	-	-	(4,778)	-	-	957
Total comprehensive loss for the period	(18,516)	(1,858)	(25,780)	10,656	(37)	-	(35,535)

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5 CASH AND CASH EQUIVALENTS

	March 31 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Cash in banks	19,501	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)
	40,065	236,616	207,814
Shareholders' operations			
Cash in banks	4,589	80,902	141,930
Short term murabaha deposits	45,000	20,622	129,632
Less: Impairment allowance	(1)	(1)	(3)
	49,588	101,523	271,559
Total cash and cash equivalents	89,653	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 5.15% per annum as at (31 December 2022: 4.27%) (1 Jan 2022: 1.73%).

Cash and cash equivalents includes an amount of SR 11.4 million (2022: SR 9.2 million) that pertains to the company's share of Inherent Defect Insurance (IDI) portfolio.

6 MURABAHA DEPOSITS

	March 31 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Murabaha deposits	266,598	132,909	129,113
Less: Impairment allowance	(53)	(32)	(38)
	266,545	132,877	129,075
Shareholders' operations			
Murabaha deposits	73,500	21,268	-
Less: Impairment allowance	(8)	(5)	-
	73,492	21,263	-
Total Murabaha deposits	340,037	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 4.74% 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

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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 GM

	March 31, 2023 (Unaudited)				
	Liability for remaining coverage		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	(239,645)	-	-	-	(239,645)
Insurance service expense					
Incurred claims	-	-	290,926	54	290,980
Other incurred insurance service expenses	-	-	19,399	-	19,399
Insurance acquisition amortization	36,276	-	-	-	36,276
(Reversals) / losses on onerous contracts	-	(12,921)	-	-	(12,921)
Changes that relate to past service	-	-	(122,540)	-	(122,540)
Total insurance service result	(203,369)	(12,921)	187,785	54	(28,451)
Finance costs	-	-	3,725	160	3,885
Cash flows					
Premium received	145,902	-	-	-	145,902
Claims and other expenses paid	-	-	(145,480)	-	(145,480)
Acquisition cash flows paid	(32,393)	-	-	-	(32,393)
Total cash flows	113,509	-	(145,480)	-	(31,972)
Net closing balance	116,321	95	373,815	15,158	505,389

	March 31, 2023 (Unaudited)			Total
	Present value of Future Cash Flows	Risk Adjustment	CSM	
<u>General model</u>				
Opening insurance contract liabilities	(4,739)	588	16,292	12,141
Insurance revenue	(126)	-	-	(126)
Insurance service expense				
incurred expenses - current service	228	-	-	228
Contracts initially recognized in the period	(3,406)	-	3,282	(125)
Experience adjustment - arising from premiums received in the period that relate to future service	-	125	-	125
Total insurance service result	(3,304)	125	3,282	102
Finance costs	(68)	-	50	(18)
Cash flows				
Premium received	3,299	-	-	3,299
Claims and other expenses paid	-	-	-	-
Acquisition cash flows paid	(42)	-	-	(42)
Total cash flows	3,257	-	-	3,257
Net closing balance	(4,855)	713	19,624	15,482
Total closing balance of insurance contract liability				520,871

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NOTES TO THE FINANCIAL STATEMENTS

For the three-months periods ended 31 March 2023

7 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

	December 31, 2022 (Unaudited) Restated				
	Liability for remaining coverage		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)
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 (Unaudited) Restated			
	Present value of Future Cash Flows	Risk Adjustment	CSM	Total
<i>General 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 three-months periods ended 31 March 2023

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

<u>Premium allocation approach</u>	March 31, 2023 (Unaudited)				
	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding Loss component	Loss Component	Present value of Future Cash Flows	Risk Adjustment	
Opening reinsurance contract assets	(22,890)	3	141,563	6,673	125,349
Reinsurance service expense	(12,829)	-	-	-	(12,829)
Claims recovered	-	-	9,552	-	9,552
Changes that relate to past service: Changes related to LIC	-	-	15,063	1,214	16,277
Recovery / (Reversal) on losses on onerous contracts	-	(1)	-	-	(1)
Net expense from reinsurance contracts held	(12,829)	(1)	24,615	1,214	12,999
Finance income	-	-	863	54	917
Cash flows					
Premiums paid net of ceding commission	12,179	-	-	-	12,179
Recoveries from reinsurance	-	-	(3,196)	-	(3,196)
Total cash flows	12,179	-	(3,196)	-	8,983
Net closing balance	(23,540)	2	163,845	7,941	148,248

<u>General model</u>	March 31, 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	31	-	-	31
Contracts initially recognized in the period - future service	1,118	(111)	(1,007)	-
Net revenues from reinsurance contracts held	1,149	(111)	(1,007)	31
Finance income	39	-	(15)	23
Cash flows				
Ceded premium	3,118	-	-	3,118
Commission and management fees	(522)	-	-	(522)
Total cash flows	2,596	-	-	2,596
Net closing balance	(6,915)	(657)	12,733	5,161
Total closing balance of reinsurance contract assets				153,409

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NOTES TO THE FINANCIAL STATEMENTS

For the three-months periods ended 31 March 2023

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

	December 31, 2022 (Unaudited) Restated				
	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding Loss component	Loss Component	Present value of Future Cash Flows	Risk Adjustment	
<i>Premium allocation approach</i>					
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	-	-	12,671	(1,611)	11,060
Effect of changes in the risk of reinsurers non-perfo	-	-	(27)	-	(27)
Changes that relate to future service (i.e., losses on	-	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 (Unaudited) Restated			
	Present value of Future Cash Flows	Risk Adjustment	CSM	Total
<i>General 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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NOTES TO THE FINANCIAL STATEMENTS

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8 INVESTMENTS

	March 31 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Financial assets at FVTPL	61,502	55,115	61,251
Financial assets at FVTOCI	145	149	247
Financial assets at amortised cost – net	14,843	14,837	9,984
	76,490	70,101	71,482
Shareholders' operations			
Financial assets at FVTPL	54,811	49,896	59,170
Financial assets at FVTOCI	54,451	54,157	52,455
Financial assets at amortised cost – net	32,831	32,828	34,710
	142,093	136,881	146,335
Total investments	218,583	206,982	217,817

a) Investments measured at FVTPL comprise of the following:

	March 31 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Funds	61,502	55,115	61,251
Shareholders' operations			
Equity	47,790	43,823	53,740
Funds	7,021	6,073	5,430
Total financial assets at FVTPL	116,313	105,011	120,421

b) Investments measured at FVTOCI comprise of the following:

	March 31 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Equity	145	149	247
Shareholders' operations			
Equity	43,221	42,971	41,510
Funds	11,230	11,186	10,945
Total financial assets at FVTOCI	54,596	54,306	52,702

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For the three-months periods ended 31 March 2023

8 INVESTMENTS (continued)

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

	March 31 (Unaudited)	December 31 (Unaudited) Restated	January 1 (Unaudited) Restated
	2023	2022	2022
Insurance operations			
Sukuks	14,863	14,855	10,000
Impairment allowance	(20)	(18)	(16)
	14,843	14,837	9,984
Shareholders' operations			
Sukuks	32,844	32,844	34,724
Impairment allowance	(13)	(16)	(14)
	32,831	32,828	34,710
Total investments	47,674	47,665	44,694

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

	March 31 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
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9 PROVISION FOR ZAKAT

a) Zakat payable

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

	31 March	31 December
	2023	2022
	(Unaudited)	(Unaudited)
Balance at beginning of the period / year	23,631	17,252
Charge for the period / year	2,250	10,288
Payments during the period / year	-	(3,909)
Balance at end of the period / year	25,881	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.

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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.

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 exemption/waiver in writing.

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 31 March 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:

	Three-months period ended	
	31 March	
	2023	2022
		(Unaudited)
	(Unaudited)	Restated
Basic and diluted earnings / (loss) per share (SR)	0.88	(0.73)
Weighted average number of shares throughout the period (thousands)	50,000	50,000

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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 31 March 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 31 March 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 at FVTPL	116,313	45,913	63,408	6,992	116,313
Financial assets at FVTOCI	54,596	14,892	-	39,704	54,596
	<u>170,909</u>	<u>60,805</u>	<u>63,408</u>	<u>46,696</u>	<u>170,909</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 at FVTPL	105,011	41,946	56,073	6,992	105,011
Financial assets at FVTOCI	54,306	14,602	-	39,704	54,306
	<u>159,317</u>	<u>56,548</u>	<u>56,073</u>	<u>46,696</u>	<u>159,317</u>

Significant unobservable inputs used in the valuation techniques used in measuring Level 3 fair value at 31 March 2023 and 31 December 2022. level 3 inputs used in measuring the investments include funds and private equity. The funds fair value are based on net assets value "NAV" as reported by the fund manager and fair value estimates of the private equity is from reputable third party valuer who use technique such as discounted cash flows and other models. The fair value of investments in mutual funds at level 2 is based on the net assets value "NAV" and value of similar quoted assets confirmed by the fund manager. Additionally, there were no changes in the valuation techniques.

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>31 March</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Letters of guarantee	14,282	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:

	Three-months period ended	
	31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Board of directors' and committees meeting fees	18	25
key management personnel compensations	1,880	1,869

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.

	31 March 2023			
	(Unaudited)			
Operating segment	Medical	Motor	Property & casualty	Total
Gross premiums written:				
-Individuals	3,276	65,461	2,214	70,951
-Very small enterprises	2,267	315	-	2,582
-Small enterprises	14,319	9,797	446	24,562
-Medium enterprises	10,314	1,437	12,502	24,253
-Corporates	172,094	10,830	18,081	201,005
	202,270	87,840	33,243	323,353
	31 March 2022			
	(Unaudited)			
Operating segment	Medical	Motor	Property & casualty	Total
Gross premiums written:				
-Individuals	85	47,853	7	47,945
-Very small enterprises	1,468	660	-	2,128
-Small enterprises	20,136	10,180	262	30,578
-Medium enterprises	32,679	6,115	1,417	40,211
-Corporates	114,176	14,938	36,418	165,532
	168,544	79,746	38,104	286,394

MALATH COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS

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17 SEGMENT INFORMATION (contunied)

31 March 2023						
(Unaudited)						
Operating segment	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Assets						
Reinsurance Contract Assets	2,927	32,351	118,131	153,409	-	153,409
Unallocated assets	-	-	-	446,184	409,199	855,383
Total assets	2,927	32,351	118,131	599,593	409,199	1,008,792
Liabilities						
Insurance Contract Liabilities	291,837	78,004	151,030	520,871	-	520,871
Unallocated liabilities and insurance operations` surplus	-	-	-	42,394	445,527	487,921
Total liabilities and insurance operations` surplus	291,837	78,004	151,030	563,265	445,527	1,008,792
31 December 2022						
(Unaudited) 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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17 SEGMENT INFORMATION (contunied)

31 March 2023

17 SEGMENT INFORMATION (contunied)

31 March 2023

(Unaudited)

Operating segment

	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Insurance revenue	134,315	88,305	17,025	239,645	-	239,645
Insurance service expense	(134,269)	(65,613)	(11,540)	(211,422)	-	(211,422)
Insurance service result before reinsurance contracts held	46	22,692	5,485	28,223	-	28,223
Allocation of reinsurance premiums	(244)	(1,576)	(10,978)	(12,798)	-	(12,798)
Amounts recoverable from reinsurance	685	4,921	20,222	25,828	-	25,828
Net revenues / (expenses) from reinsurance contracts held	441	3,345	9,244	13,030	-	13,030
Insurance service result	487	26,037	14,729	41,253	-	41,253
Finance expenses from insurance contracts issued	(1,756)	(934)	(1,177)	(3,867)	-	(3,867)
Finance income from reinsurance contracts held	-	-	924	924	-	924
Net insurance finance expenses	(1,756)	(934)	(253)	(2,943)	-	(2,943)
Unallocated income	-	-	-	9,490	6,440	15,930
Unallocated expenses	-	-	-	(3,397)	(18)	(3,415)
Net income before zakat	(1,269)	25,103	14,476	44,403	6,422	50,825

Surplus attributed to insurance operations

(4,440)

Net income attributable to shareholders before zakat

46,385

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NOTES TO THE FINANCIAL STATEMENTS

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17 SEGMENT INFORMATION (contunied)

17 SEGMENT INFORMATION (contunied)

	31 March 2023					
	31 March 2022					
	(Unaudited) Restated					
	Medical	Motor	Property & casualty	Insurance Operations	Shareholders' Operations	Total
Operating segment						
Insurance revenue	98,470	123,951	14,339	236,760	-	236,760
Insurance service expense	(100,096)	(169,940)	(6,170)	(276,206)	-	(276,206)
Insurance service result before reinsurance contracts held	(1,626)	(45,989)	8,169	(39,446)	-	(39,446)
Allocation of reinsurance premiums	(271)	(1,340)	(11,329)	(12,940)	-	(12,940)
Amounts recoverable from reinsurance	2,256	648	6,875	9,779	-	9,779
Net revenues / (expenses) from reinsurance contracts held	1,985	(692)	(4,454)	(3,161)	-	(3,161)
Insurance service result	359	(46,681)	3,715	(42,607)	-	(42,607)
Finance expenses from insurance contracts issued	(204)	(368)	(597)	(1,169)	-	(1,169)
Finance income from reinsurance contracts held	-	-	512	512	-	512
Net insurance finance expenses	(204)	(368)	(85)	(657)	-	(657)
Unallocated income	-	-	-	4,128	11,604	15,732
Unallocated expenses	-	-	-	(5,422)	(288)	(5,710)
Net income before zakat	155	(47,049)	3,630	(44,558)	11,316	(33,242)
Surplus attributed to insurance operations						-
Net income attributable to shareholders before zakat						(33,242)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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18 SUPPLEMENTARY INFORMATION

18.1 Interim condensed statement of financial position

	Insurance Operations			Shareholders' Operations			Total		
	31 Mar	31 Dec	1 Jan	31 Mar	31 Dec	1 Jan	31 Mar	31 Dec	1 Jan
	2023	2022	2022	2023	2022	2022	2023	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Unaudited)	Restated	Restated	(Unaudited)	Restated	Restated	(Unaudited)	Restated	Restated
ASSETS									
Cash and cash equivalents	40,065	236,616	207,814	49,588	101,523	271,559	89,653	338,139	479,373
Murabaha deposits	266,545	132,877	129,075	73,492	21,263	-	340,037	154,140	129,075
Reinsurance contract assets	153,409	127,860	105,907	-	-	-	153,409	127,860	105,907
Investments	76,490	70,101	71,482	142,093	136,881	146,335	218,583	206,982	217,817
Prepayments and other assets	59,304	36,803	33,857	57,094	56,258	2,547	116,398	93,061	36,404
Property and equipment	3,780	4,114	4,846	-	-	-	3,780	4,114	4,846
Statutory deposit	-	-	-	74,986	74,986	74,986	74,986	74,986	74,986
Accrued commission income on statutory deposit	-	-	-	11,946	10,778	10,167	11,946	10,778	10,167
	599,593	608,371	552,981	409,199	401,689	505,594	1,008,792	1,010,060	1,058,575
Due (to) / from insurance operations	-	-	-	36,328	(3,046)	(74,010)	36,328	(3,046)	(74,010)
TOTAL ASSETS	599,593	608,371	552,981	445,527	398,643	431,584	1,045,120	1,007,014	984,565

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18 SUPPLEMENTARY INFORMATION (continued)

18.1 Interim condensed statement of financial position (continued)

	Insurance Operations			Shareholders' Operations			Total		
	31 Mar	31 Dec	1 Jan	31 Mar	31 Dec	1 Jan	31 Mar	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	33,422	29,192	35,060	1,670	2,633	2,041	35,092	31,825	37,101
Insurance contract liabilities	520,871	574,067	581,065	-	-	-	520,871	574,067	581,065
Employees' end-of-service benefits	17,967	17,149	20,154	-	-	-	17,967	17,149	20,154
Provision for zakat	-	-	-	25,881	23,631	17,252	25,881	23,631	17,252
Accrued return on statutory deposit payable to SAMA	-	-	-	11,946	10,778	10,167	11,946	10,778	10,167
	572,260	620,408	636,279	39,497	37,042	29,460	611,757	657,450	665,739
Due (from) / to shareholders' operations	36,328	(3,046)	(74,010)	-	-	-	-	(3,046)	(74,010)
TOTAL LIABILITIES	608,588	617,362	562,269	39,497	37,042	29,460	611,757	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	-	-	-	(130,408)	(174,543)	(134,200)	(130,408)	(174,543)	(134,200)
Investments fair value reserve	(122)	(118)	1,388	34,307	34,013	34,193	34,185	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	(8,995)	(8,991)	(9,288)	406,030	361,601	402,124	397,035	352,610	392,836
TOTAL LIABILITIES AND EQUITY	599,593	608,371	552,981	445,527	398,643	431,584	1,045,120	1,007,014	984,565

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18 SUPPLEMENTARY INFORMATION (continued)

18.2 Interim condensed statement of income (continued)

	Three-months period ended 31 March					
	Insurance Operations		Shareholders' Operations		Total	
	2023	2022	2023	2022	2023	2022
	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated	(Unaudited)	(Unaudited) Restated
REVENUES						
Insurance service revenue	239,645	236,760	-	-	239,645	236,760
Insurance Service Expenses	(211,422)	(276,206)	-	-	(211,422)	(276,206)
Insurance service result before reinsurance contracts held	28,223	(39,446)	-	-	28,223	(39,446)
Allocation of reinsurance premiums	(12,798)	(12,940)	-	-	(12,798)	(12,940)
Amounts recoverable from reinsurance	25,828	9,779	-	-	25,828	9,779
Net revenues / (expenses) from reinsurance contracts held	13,030	(3,161)	-	-	13,030	(3,161)
Insurance service result	41,253	(42,607)	-	-	41,253	(42,607)
Investment income on financial assets at amortised cost	3,670	3,566	1,603	3,105	5,273	6,671
Investment income on financial assets at FVTPL	854	249	4,845	6,874	5,699	7,123
Net credit impairment losses on financial assets	(16)	(22)	(8)	(15)	(24)	(37)
Other investment income	-	-	-	1,640	-	1,640
Net investment income	4,508	3,793	6,440	11,604	10,948	15,397
Finance expenses from insurance contracts issued	(3,867)	(1,169)	-	-	(3,867)	(1,169)
Finance income from reinsurance contracts held	924	512	-	-	924	512
Net insurance finance expenses	(2,943)	(657)	-	-	(2,943)	(657)
Net insurance and investment result	42,818	(39,471)	6,440	11,604	49,258	(27,867)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months periods ended 31 March 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.2 Interim condensed statement of income (continued)

	Three-months period ended 31 March					
	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	42,818	(39,471)	6,440	11,604	49,258	(27,867)
OTHER INCOME / (EXPENSES)						
Other operating expenses	(3,397)	(5,422)	(18)	(288)	(3,415)	(5,710)
Other income	4,982	335	-	-	4,982	335
TOTAL OTHER (EXPENSES) / INCOME	1,585	(5,087)	(18)	(288)	1,567	(5,375)
Total income / (loss) for the period	44,403	(44,558)	6,422	11,316	50,825	(33,242)
Surplus attributed to insurance operations	(4,440)	-	-	-	(4,440)	-
Net income / (loss) attributable to shareholders before zakat	39,963	(44,558)	6,422	11,316	46,385	(33,242)
Zakat charge for the period	-	-	(2,250)	(3,250)	(2,250)	(3,250)
Net income / (loss) attributable to shareholders' operations	39,963	(44,558)	4,172	8,066	44,135	(36,492)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months periods ended 31 March 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.3 Interim condensed statement of comprehensive income

	Three-months period ended 31 March					
	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	4,440	-	44,135	(36,492)	48,575	(36,492)
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	(4)	(8)	294	965	290	957
Total comprehensive income / (loss) for the period	4,436	(8)	44,429	(35,527)	48,865	(35,535)
Total comprehensive income attributable to insurance operations	(4,440)	-	-	-	(4,440)	-
Total comprehensive income / (loss) attributable to shareholders	(4)	(8)	44,429	(35,527)	44,425	(35,535)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months periods ended 31 March 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.4 Interim condensed statement of cash flows

	Three-months period ended 31 March					
	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	39,963	-	6,422	(33,242)	46,385	(33,242)
Adjustments for non-cash items:						
Other investment income	-	-	-	(1,640)	-	(1,640)
Depreciation of property and equipment	504	459	-	-	504	459
Investment income on financial assets at FVTPL	(854)	(4,845)	(4,845)	(6,874)	(5,699)	(11,719)
Finance expenses from insurance contracts issued	3,867	1,169	-	-	3,867	1,169
Finance income from reinsurance contracts held	(924)	(512)	-	-	(924)	(512)
Net credit impairment losses on financial assets	16	22	8	-	24	22
Provision for employees' end-of-service benefits	1,098	1,432	-	-	1,098	1,432
Changes in operating assets and liabilities:						
Reinsurance contract assets	(24,625)	17,156	-	-	(24,625)	17,156
Prepayments and other assets	(22,500)	24,539	(836)	(3,870)	(23,336)	20,669
Accrued expenses and other liabilities	3,635	(12,586)	(385)	(1,500)	3,250	(14,086)
Insurance contract liabilities	(57,063)	3,984	-	-	(57,063)	3,984
Cash generated from / (used in) operations	(56,884)	30,818	364	(47,126)	(56,519)	(16,308)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months periods ended 31 March 2023

18 SUPPLEMENTARY INFORMATION (continued)

18.4 Interim condensed statement of cash flows (continued)

		Three-months period ended 31 March					
		Insurance Operations		Shareholders' Operations		Total	
		2023	2022	2023	2022	2023	2022
Employees' end-of-service benefits paid		(280)	(1,508)	-	-	(280)	(1,508)
Net cash generated from / (used in) operating activities		(57,164)	29,310	364	(47,126)	(56,799)	(17,816)
CASH FLOWS FROM INVESTING ACTIVITIES							
Net placement to Murabaha deposits		(133,668)	(10,370)	(52,229)	(80,000)	(185,897)	(90,370)
Net (addition to) / proceeds from financial assets at FVTPL		(5,549)	3,922	(70)	362	(5,619)	4,284
Addition to property and equipment		(170)	(147)	-	-	(170)	(147)
Net cash used in investing activities		(139,387)	(6,595)	(52,299)	(79,638)	(191,686)	(86,233)
Net change in cash and cash equivalents		(196,551)	22,715	(51,935)	(126,764)	(248,486)	(104,049)
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	40,065	230,529	49,588	144,795	89,653	375,324
Supplemental non-cash information:							
Change in fair value of financial investments at FVTOCI		(4)	(8)	294	965	290	957
Commission income on statutory deposit		-	-	1,168	139	1,168	139

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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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 Dhu'l-Hijjah 1, 1444 H corresponding to June 19, 2023.