THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2023

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C.C.R. No. 101

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
AMMAN - JORDAN

Introduction

We have reviewed the accompanying interim condensed financial statements of **THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN** (a public shareholding company) as at 31 March 2023, comprising of the interim condensed statement of financial position as at 31 March 2023 and the related interim condensed statement of income, interim condensed statement of comprehensive income, interim condensed statement of changes in equity, and interim condensed statement of cash flows for three-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies described in note (2). 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies described in note (2).

Emphasis of matters

- **Basis of preparation and restrictions of use**

We draw attention to Note (2) to the interim condensed financial statements, which describes the accounting policies used. These interim condensed financial statements have been prepared for the purposes of compliance with the reporting requirements of the Insurance Administration Department and the Jordan Securities Commission, and therefore they may not be suitable for other purposes, and our report is intended for the use of the Company's management, the Insurance Administration Department and the Jordan Securities Commission and should not be used by other parties. This matter does not modify the conclusion that we reached on the accompanying interim condensed financial statements.

- **Solvency Ratio**

Without qualifying our conclusion, we draw attention to note (16) to the interim condensed financial statements, the Company's solvency ratio reached 109.2% as of 31 March 2022, which is less than the required ratio by the Insurance Administration, which is 150%.

Amman – Jordan
1 May 2023

ERNST & YOUNG
Amman - Jordan

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	31 March 2023	31 December 2022
		JD	JD
Assets		(Unaudited)	(Audited)
Investments -			
Bank deposits	3	6,977,232	6,943,972
Investment properties		4,242,932	4,262,580
Financial assets at fair value through other comprehensive income	4	232,441	234,361
Total investments		11,452,605	11,440,913
Other assets -			
Cash on hand and at banks	9	31,927	88,461
Checks under collection		4,384,556	4,290,571
Accounts receivable, net	5	8,724,597	5,133,588
Reinsurance receivables	6	762,932	686,454
Property and equipment	7	3,455,439	3,472,467
Right of use assets		6,333	7,493
Intangible assets		71	71
Other assets		829,129	866,717
Total assets		29,647,589	25,986,735
Liabilities and equity			
Liabilities			
Technical reserves -			
Unearned premium reserve, net		11,008,301	6,985,746
Outstanding claims reserve, net		7,446,884	7,848,058
Total technical reserves		18,455,185	14,833,804
Other liabilities -			
Accounts payable	10	2,915,184	2,811,251
Accrued expenses		39,205	28,000
Reinsurance payables	11	2,071,458	2,293,431
Lease contracts' liabilities		8,043	7,896
Income tax provision	8	74,819	51,002
Other liabilities		331,962	277,204
Total liabilities		23,895,856	20,302,588
Equity-			
Authorized and paid in capital		10,000,000	10,000,000
Statutory reserve		233,225	233,225
Fair value reserve	13	(493,998)	(492,078)
Accumulated losses		(3,987,494)	(4,057,000)
Total shareholders' equity		5,751,733	5,684,147
Total liabilities and shareholders' equity		29,647,589	25,986,735

The attached notes from 1 to 19 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	For the three months ended 31 March 2023	2022
		JD	JD
Revenue –			
Gross written premiums		9,971,718	8,776,018
Less: local reinsurance share		799,333	505,363
Less: foreign reinsurance share		354,741	354,733
Net written premiums		8,817,644	7,915,922
Net change in unearned premiums reserve		(4,022,555)	(4,119,136)
Net earned premiums		4,795,089	3,796,786
Commissions income		137,118	157,620
Insurance policies issuance fees		297,685	297,635
Interest Income		105,793	60,025
Other underwriting revenues		305,721	313,636
Rent revenue		131,494	-
Total revenues		5,772,900	4,625,702
Claims and related expenses			
Paid claims		5,484,282	3,925,067
Less: Recoveries		594,565	405,250
Less: reinsurance share		137,528	47,700
Paid claims, net		4,752,189	3,472,117
Net change in claims reserve		(401,174)	52,174
Allocated general and administrative expenses		214,815	188,064
Allocated employees' expenses		295,112	236,253
Excess of loss premium		185,349	139,173
Commissions paid		262,475	374,013
Other expenses related to policies underwriting		235,811	370,900
Net Claims		5,544,577	4,832,694
Unallocated employees' expenses		39,679	27,972
Depreciation and amortization		41,631	43,229
Right of use assets depreciation		1,160	1,160
Unallocated general and administrative expenses		52,530	45,196
Allowance for expected credit losses -Reinsurance receivables		-	50,000
(Recovery from) Allowance for expected credit losses		-	(271,028)
Total income (expenses)		135,000	(103,471)
Profit for the period before tax		93,323	(103,521)
Income tax expense	8	(23,817)	-
Profit (loss) for the period		69,506	(103,521)
		JD/Fils	JD/Fils
Basic and diluted income (losses) per share for the period	14	0/01	(0/010)

The attached notes from 1 to 19 form part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	For the three months ended 31 March	
	2023	2022
	JD	JD
Profit (loss) for the period	69,506	(103,521)
Add: other comprehensive income items that will not be reclassified to profit or loss in subsequent periods		
Changes in fair value of financial assets at fair value through other comprehensive income	(1,920)	26,415
Total comprehensive income for the period	67,586	(77,106)

The attached notes from 1 to 19 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Authorized and paid in capital	Statutory reserve	Fair value reserve	Accumulated Losses	Total
	JD	JD	JD	JD	JD
31 March 2023 -					
Balance at 1 January 2023	10,000,000	233,225	(492,078)	(4,057,000)	5,684,147
Total comprehensive income for the period	-	-	(1,920)	69,506	67,586
Balance at 31 March 2023	10,000,000	233,225	(493,998)	(3,987,494)	5,751,733
31 March 2022 -					
Balance at 1 January 2022	10,000,000	193,266	(491,598)	(4,365,630)	5,336,038
Total comprehensive income for the period	-	-	26,415	(103,521)	(77,106)
Balance at 31 March 2022	10,000,000	193,266	(465,183)	(4,469,151)	5,258,932

The attached notes from 1 to 19 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	For the three months ended 31 March 2023	2022
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) for the period before tax		93,323	(103,521)
Adjustment for non-cash items			
Depreciation and amortization		41,631	43,229
Interest on lease contracts' liabilities		147	235
Depreciation of right use assets		1,160	1,160
Net change in unearned premiums reserve		4,022,555	4,119,136
Net change in outstanding claims reserve		(401,174)	52,174
Allowance for expected credit losses -Reinsurance receivables		-	50,000
(Recovery from) Allowance for expected credit losses		-	(271,028)
Interest income		(105,793)	(60,025)
Cash flows from operating activities before changes in working capital		3,651,849	3,831,360
Reinsurance receivables		(76,478)	(21,458)
Checks under collection		(93,985)	(988,904)
Accounts receivable		(3,591,009)	(3,147,899)
Other assets		(11,293)	(31,963)
Accounts payable		103,933	275,020
Reinsurance payables		(221,973)	105,983
Other liabilities and accrued expenses		65,963	(11,301)
Net cash flows used in (from) operating activities		(172,993)	10,838
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits at banks maturing after three months		1,830,470	-
Purchase of Property and equipment	7	(4,955)	-
Interest received		154,674	148,124
Net cash flows from investing activities		1,980,189	148,124
Net increase in cash and cash equivalents		1,807,196	158,962
Cash and cash equivalents at beginning of the period		2,139,602	4,549,184
Cash and cash equivalents at the end of the period	9	3,946,798	4,708,146

The attached notes from 1 to 19 form part of these interim condensed financial statements

(1) GENERAL

The Mediterranean and Gulf Insurance Company - Jordan was incorporated on 21 November 2006 as a Public Shareholding Company with an authorized capital amounting to JD 10,000,000 divided into 10,000,000 shares at par value of JD 1 each.

The Company is engaged in insurance business against fire, general accidents, marine, aviation, medical, motor, and liability.

The interim condensed financial statements were approved by the Board of Directors on 1 May 2023.

(2-1) Basis of preparation

The interim condensed financial statements for the three months ending on 31 March were prepared in accordance with the instructions of the Insurance administration at the Central Bank in their letter No. 17/1/6983 dated 12 April 2023 and the instructions of the Jordan Securities Commission in their letter No. 2/3/01292/23 dated 25 April 2023 and in accordance with the accounting policies adopted by the company described below, as the Company has not implemented IFRS No. (17) in effect from 1 January 2023, and has continued to prepare financial statements in accordance with IFRS No. (4) as instructed by the regulatory authorities referred to above.

The Jordanian Dinar is the functional and reporting currency of the financial statements.

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's annual report as at 31 December 2022. In addition, the results for the three months ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Business Sector

The business sector represents a set of assets and operations that jointly provides products and services subject to risks and returns different from those of other business sector which is measured based on the reports used by the top management of the Company.

The geographic sector relates to providing products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Financial assests at fair value through other comprehensive income

Equity investments that are not held for sale in the near future. These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of these asset are reclassified from fair value reserve to retained earnings and not through statement of income. It is not allowed to reclassify any of the financial assets from/to this item line except in specific cases as described in the international financial reporting standards.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the statement of income.

Date of Recognition of financial assets

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

Fair Value

For financial instruments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The objective of the valuation method is to show a fair value that reflects market expectations. Where the fair value of an investment cannot be reliably measured, it is stated at cost less any impairment in the value.

Impairments in Financial Assets Value

For all debt instruments, the Company has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The company uses the allotment matrix method to calculate expected credit losses, where the allotment matrix is prepared based on the historical default rate on the life expectancy of the receivables after adjusting them with future estimates. Historical defaults and future estimates are updated annually.

Cash and Cash equivalents

For cash flow purpose cash and cash equivalents comprise cash balances with banks and financial institutions maturing within three months, less bank overdrafts and restricted funds.

Investment Properties

Investment properties are measured initially at cost, including transactions costs. Investment properties are depreciated in accordance with their useful lives on a straight-line basis using annual depreciation rate of 2%. Land is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the statement of income.

Accounts Receivable

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts or expected credit loss. The Company applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Reinsurance Accounts

Reinsurers shares of insurance premiums, paid claims, technical provisions, and all other rights and obligations resulting are calculated based on signed contracts between the Company and reinsures are accounted for based on accrual basis.

Reinsurance

The Company engages within its normal activities in a variety of inward and outward reinsurance operations with other insurance and reinsurance Companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties does not eliminate the Company's liability towards policy holders, where in the case the reinsurance fails to cover its share of total liability, the Company bears the total loss, therefore the Company provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Company's share of total liability for each claim.

Impairment in Reinsurance Assets

In case there is any indication as to the impairment of the reinsurance assets of the Company, which possesses the reinsured contract, the Company has to reduce the present value of the contracts and record the impairment in the statement of income,
The impairment is recognized in the following cases only:

1. There is an objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Company's inability to recover all the amounts under the contracts terms.

2. The event has a reliably and clearly measurable effect on the amounts that the Company will recover from reinsures.

Insurance policy acquisition cost

Acquisition cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in the statement of income.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except land) is depreciated when its ready for use. Depreciation is computed on a straight-line basis using the following depreciation rates, and the depreciation expense is recorded in the statement of income.

	%
Buildings	2
Equipment, machines and furniture	15
Vehicles	15

Depreciation expense is calculated when property and equipment is put in use, property and equipment under construction is stated at cost less impairment loss.

Assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the statement of income.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of income.

Any item of property and equipment derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets with finite lives are amortized over the useful economic lives, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the income statement.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight line basis at 20% amortization rate.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease contract liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Provisions

Provisions are recognized when the Company has an obligation at the date of the financial statements as a result of past events, and the cost to settle the obligation are both probable and measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the preset obligation at the financial statements date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flow.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

<u>A- Technical Reserves</u>

Technical reserves are provided for in accordance to the Insurance Commission's instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.

2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.

3. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Company.

4. Actuarial equations are reviewed by the actuary.

B- Provision for expected credit losses

The Company has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on all its financial instruments. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

Liability adequacy test

At each statement of financial position date the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the statement of income.

Income Tax

Income tax represents current and deferred income tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income. The taxable income differs from the actual income in the statement of income because the accounting income contains expenditures and revenues that are not tax deductible in the current year but in the preceding years or the accepted accumulated losses or any other not deductibles for tax purposes.

The taxes are calculated based on enacted tax percentages which are stated by laws and regulation in the Hashemite Kingdom of Jordan.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to allow all or part of deferred tax asset to be utilized.

Offsetting

Financial assets and financial liabilities are only offsetted and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition

A- Insurance policies

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements claims expenses are recognized in the statement of income based on the expected claim value to compensate other parties.

B- Dividend and interest revenue

The Dividends revenues are realized when the shareholder has the right to receive the payment once declared by the General Assembly of Shareholders.

Interest revenues are recorded using the accrual basis based on the accrual periods, principle amount and interest rate.

Expenditures recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the statement of income during the period it occurred in and all other expenditures are recognized using the accrual basis.

Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve.

Insurance compensations payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of financial statements but not settled yet. Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

Recoverable scraped value is considered when recording the outstanding claim amount

General and administrative expenses

General and administrative expenses are distributed to each insurance division separately. Moreover, 80% of the non-distributable general and administrative expenses is allocated to different insurance departments based on the ratio of written premiums of the department to total premiums.

Employees' expenses

The traceable employees' expenses are allocated directly to insurance departments, and 80% of un-allocated employee's expenses are allocated based on earned premiums per department to total premiums.

Commission Cost

Commission cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract the commission cost is recorded in statement of income.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates.

Monetary assets and liabilities in foreign currencies are translated into Jordanian Dinar at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-financial assets and non-monetary liabilities demimonde in foreign currencies at fair value are translated at the date of the determined fair value.

Any gains or losses are taken to the statement of income.

Translation gains or losses on non-monetary items are recorded as part of change in fair value.

(2-2) Estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management are as follows:

- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed actuarial studies.

- A provision for expected credit losses in accordance with IFRS (9) is estimated by the management based on their principles and assumptions according to the Insurance Administration.

- The financial year is charged with its related income tax in accordance with regulations.

- Management periodically reviews the useful life of the Company's tangible and intangible assets in order to calculate the depreciation and amortization expense based on the status of these assets and the expected future useful lives. The impairment loss (if any) is recorded in the Income statement.

- An allowance against lawsuits in which the Company is defendant is established based on legal studies performed by the Company's lawyer by which potential risks are identified. Those studies are revised periodically.

(3) BANK DEPOSITS

This item represents the following:

	31 March 2023				
	Deposits mature within a month*	Deposits mature during a period from 1 to 3 months	Deposits mature after 3 months and before 1 year*	Total	31 December 2022
	JD	JD	JD	JD (Unaudited)	JD (Audited)
Inside Jordan	3,914,871	-	3,062,361	6,977,232	6,943,972

* This item represents deposits in Jordanian Dinar in Jordanian banks as of 31 March 2023 with an interest rate that ranges between 4.75% and 5.5% for the deposit that matures within one month and 6% for the deposit that matures within a year (31 December 2022: with an interest rate 5.5% for the deposit that matures within a month with an interest rate that ranges between 4.25% and 4.75% for the deposit that matures within a year).

The restricted deposits in accordance with the order of the Director General of the Insurance Department amounted to JOD 650,000 as of 31 March 2023 (JOD 650,000 as of December 31, 2022) and matured after more than one year.

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Quoted shares in Amman Stock Exchange	232,441	234,361

(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Policy holders*	10,050,297	6,694,684
Due from sister companies (Note 12)	6,918	6,918
Employees' receivables	18,686	16,090
Other	453,190	220,390
	10,529,091	6,938,082
Less: Allowance for expected credit losses**	1,804,494	1,804,494
	8,724,597	5,133,588

The following table represents the aging schedule of accounts receivable:

	Neither past due nor impaired	Past due but not impaired			
		1-90 days	91-180 days	181-360 days	Total
	JD	JD	JD	JD	JD
31 March 2023	5,440,662	2,533,267	678,693	71,975	8,724,597
31 December 2022	2,426,431	1,486,865	672,341	547,951	5,133,588

* This item includes written premiums receivables from AlManaseer Group (Primary shareholder) by JD 2,810,544 as of 31 March 2023 (31 December 2022: JD 1,423,127) (Note 12)

** Movement on the allowance for expected credit losses is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	1,804,494	2,425,374
Provision recovered	-	(620,880)
Balance at the end of the period/ year	1,804,494	1,804,494

(6) REINSURANCE RECEIVABLES

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Local insurance companies	513,798	458,654
Foreign reinsurance companies	419,134	397,800
	932,932	856,454
Less: Allowance for expected credit losses	170,000	170,000
	762,932	686,454

* Movement on the allowance for expected credit losses is as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	170,000	40,000
Provision for the period	-	130,000
Balance at the end of the period/ year	170,000	170,000

(7) PROPERTIES AND EQUIPMENT

The Company purchased property and equipment during the three months period ended in 31 March 2023 with the value of 4,955 (31 March 2022: Nill).

(8) INCOME TAX

Income Tax

provision for income tax was calculated for the period ended 31 March 2022 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

	31 March 2023	31 December 2022
	JD	JD
Balance at the beginning of the period/ year	51,002	-
Provision for the period	23,817	51,002
Balance at the end of the period/ year	74,819	51,002

Final settlement was reached with the Income and Sales Tax Department up to the end of the year 2020.

The Company filed its tax declaration for the years 2021 and 2022 within the legal period which have not been reviewed by the Income and Sales Tax Department and no final decision was made.

In the opinion of the Company's management and the tax consultant, the tax provision is considered adequate to meet any tax obligations.

Sales Tax

Final settlement was reached with the Income and Sales Tax Department up to the end of the year 2020.

(9) CASH AND CASH EQUIVALENTS

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Cash on hand	1,751	621
Current account at banks	30,176	87,840
	31,927	88,461

For the purposes of the interim condensed statement of cash flows, the details of cash and cash equivalents are as follows:

	31 March 2023	31 March 2022
	JD (Unaudited)	JD (Unaudited)
Cash on hand and bank balances	31,927	180,736
Plus: Deposits at banks that mature within three months (Note 3)	3,914,871	3,877,410
Cash and cash equivalents	3,946,798	4,058,146

(10) ACCOUNTS PAYABLE

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Insurance Policy holders payables	819,243	614,344
Medical network payables	1,900,718	2,182,460
Due to sister companies (Note 12)	260	260
Other payables	194,963	14,187
	2,915,184	2,811,251

(11) REINSURANCE PAYABLES

This item consists of the following:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Local insurance companies*	661,796	863,066
Foreign reinsurance companies*	1,409,662	1,430,365
	2,071,458	2,293,431

(12) RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, board members, directors and key managers personnel of the Company, and Companies of which they are principal owners in the ordinary course of business.

Pricing policies and terms of transactions are approved by the Company's management.

Following is a summary of balances with related parties included in the interim statement of financial position as of:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Due from related parties' items -		
Due from related parties – Manaseer Group (Note 5) (Primary Shareholder)	2,810,544	1,423,127
Edison Bradley International-Lebanon (Sister Company) (Reinsurance brokerage company)	-	36,651
The Mediterranean and Gulf Insurance company – Bahrain (Note 5) *(Sister Company)	6,918	6,918
Checks under collection – Manaseer Group (Primary Shareholder)	1,928,751	2,598,580
	4,746,213	4,065,276
Due to related parties' item -		
Addison Bradley International (Sister Company) *	184,542	199,600
Addison Bradley International-Lebanon (Sister Company) (Reinsurance brokerage company)	63,651	-
Medivisa Company – Jordan (Sister Company) (Note 10)	260	260
	248,453	199,860

* During the first quarter of 2022, the company suspended dealing with the Lebanese reinsurance brokerage company (Addison Bradley International) in response to the central bank's decision to suspend all transactions with related parties that may cause a conflict of interest arising from the brokerage company's association with the Mediterranean And Gulf Insurance Company being part of one insurance group. The insurance premiums have been paid to the foreign reinsurance companies through Addison Bradley International - Lebanon of JD 376,137 for the year ended 31 December 2021 and Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 30,780 for the year ended 31 December 2021.

The following is a summary of the transactions with related parties included in the interim statement of income:

	31 March 2023	31 March 2022
	JD (Unaudited)	JD (Unaudited)
Written premiums – Al Manseer Group (Primary Shareholder)	2,107,476	2,251,676

Below is a summary of the salaries and benefits of the executive management of the Company:

	31 March 2023	31 March 2022
	JD (Unaudited)	JD (Unaudited)
Salaries and benefits	39,000	42,805

(13) FAIR VALUE RESERVE

This item represents the change in the fair value of financial instruments through other comprehensive income:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Balance at beginning of the period/ year	(492,078)	(491,598)
Change in fair value during the period/ year	(1,920)	(480)
Balance at the end of the period/ year	(493,998)	(492,078)

(14) BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD

Earnings per share are calculated by dividing the profit for the period over the weighted average number of shares during the period as follows:

	31 March 2023	31 March 2022
	JD (Unaudited)	JD (Unaudited)
Profit (Loss) for the period (JD)	69,506	(103,521)
Weighted average number of shares (share)	10,000,000	10,000,000
	JD/ Fils	JD/ Fils
Basic and diluted income (loss) per share for the period	0/01	(0/010)

(15) ANALYSIS OF MAIN SECTORS

A. Information about the Company's operational sectors:
For management purposes, the Company was organized to include the general insurance sectors, which include fire, motor, marine, aviation medical, insurance, vehicles and liability. The transactions between sectors are based on estimated market price basis under the same conditions for others.

B. Information about the geographical distribution:
This note represents the geographical distribution of the Company's operations; the Company mainly conducts its activities in the Kingdom, which represents the local operations. The Company also has international operations through its branches in the Middle East, Europe, Asia, America, and the South East.

The geographic distribution of the Company's capital expenditures and revenues are as follows:

	Inside Jordan		Outside Jordan		Total	
	31 March		31 March		31 March	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Total revenues	5,631,102	4,468,082	141,798	157,620	5,772,900	4,625,702

	Inside Jordan		Outside Jordan		Total	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Total assets	29,647,589	25,986,735	-	-	29,647,589	25,986,735

(16) CAPITAL MANAGEMENT

The capital requirements are regulated by the insurance authority. These requirements have been established to ensure an appropriate margin. Additional objectives were set by the company to maintain strong credit ratings and high capital ratios in order to support its business and maximize shareholders' equity.

The Company manages the capital structure and makes the necessary adjustments in light of changes in working conditions. The company has made no changes to the objectives, policies and procedures relating to capital structure during the current year and the previous year.

In the opinion of the management, regulatory capital is sufficient to meet future risks or liabilities.

The details of the capital and solvency ratio are as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Total available capital	6,384,005	6,296,817
Capital requirements		
Capital requirement against asset risks	3,454,440	3,238,487
Capital requirement against underwriting liabilities	2,370,021	2,347,057
Capital requirement against the reinsurance risk	20,040	10,160
Total required capital	5,844,501	5,595,704
Solvency margin ratio	109,2%	112,5%

The company's solvency ratio reached 109,2% as of 31 March 2023, which is less than the ratio determined by the Insurance Administration, which is 150%.

(17) LAWSUITS AGAINST THE COMPANY

The company is defendant in a number of cases amounted to JD 611,338 as of 31 March 2023 (31 December 2022: 678,390) which represents legal claims related to its activities. In the opinion of the Company's management and its legal counsel, the Company's booked technical provision is sufficient to meet the obligations related to these cases.

(18) CONTINGENT LIABILITIES

On the date of the interim condensed financial statements, the Company has potential liabilities related to bank guarantees of JD 73,650 with cash margins of JD 7,365 (31 December 2022: JD 65,661 with cash margins of JD 6,566).

(19) LEGAL RESERVES

The Company did not deduct legal reserves and less in accordance with the Companies Law as these financial statements are interim financial statements.