

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2023

**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 30 June 2023, comprising of interim condensed statement of financial position as at 30 June 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 six-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 mentioned 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 of the Central Bank of Jordan, and therefore they may not be suitable for other purposes. 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 104.2% as of 30 June 2023, which is less than the required ratio by the Insurance Administration of 150%.

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (UNAUDITED)

| | Notes | 30 June 2023 JD (Unaudited) | 31 December 2022 JD (Audited) |
|---|-------|--------------------------------------|--|
| <u>Assets</u> | | | |
| Investments - | | | |
| Bank deposits | 3 | 7,051,572 | 6,943,972 |
| Investment properties | | 4,223,368 | 4,262,580 |
| Financial assets at fair value through other comprehensive income | 4 | 203,626 | 234,361 |
| Total Investments | | 11,478,566 | 11,440,913 |
| Other assets - | | | |
| Cash on hand and at banks | 9 | 68,722 | 88,461 |
| Checks under collection | | 3,868,040 | 4,290,571 |
| Accounts receivable, net | 5 | 8,399,767 | 5,133,588 |
| Reinsurance receivables | 6 | 810,610 | 686,454 |
| Property and equipment | 7 | 3,499,179 | 3,472,467 |
| Right of use assets | | 106,517 | 7,493 |
| Intangible assets | | 24,202 | 71 |
| Other assets | | 722,144 | 866,717 |
| Total Assets | | 28,977,747 | 25,986,735 |
| <u>Liabilities and equity</u> | | | |
| Liabilities | | | |
| Technical reserves - | | | |
| Unearned premium reserve, net | | 8,012,733 | 6,985,746 |
| Outstanding claims reserve, net | | 7,587,447 | 7,848,058 |
| Total Technical reserves | | 15,600,180 | 14,833,804 |
| Other liabilities - | | | |
| Accounts payable | 10 | 3,017,056 | 2,811,251 |
| Accrued expenses | | 41,340 | 28,000 |
| Reinsurance payables | 11 | 4,350,989 | 2,293,431 |
| Lease obligations | | 95,374 | 7,896 |
| Income Tax provision | 8 | 19,357 | 51,002 |
| Other liabilities | | 448,567 | 277,204 |
| Total liabilities | | 23,572,863 | 20,302,588 |
| Equity- | | | |
| Paid in capital | 1 | 10,000,000 | 10,000,000 |
| Statutory reserve | 19 | 233,225 | 233,225 |
| Fair value reserve | 13 | (522,813) | (492,078) |
| Accumulated losses | | (4,305,528) | (4,057,000) |
| Total shareholders' equity | | 5,404,884 | 5,684,147 |
| Total liabilities and shareholders' equity | | 28,977,747 | 25,986,735 |

The attached notes from 1 to 20 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 SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | Notes | For the three months ended 30 June | | For the six months ended 30 June | |
|---|-------|---------------------------------------|-----------|-------------------------------------|-------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | JD | JD | JD | JD |
| Revenue – | | | | | |
| Gross written premiums | | 5,000,136 | 5,394,781 | 14,971,854 | 14,170,799 |
| Less: local reinsurance share | | 4,150,798 | 216,479 | 4,950,131 | 721,842 |
| Less: foreign reinsurance share | | 248,098 | 500,744 | 602,839 | 855,477 |
| Net written premiums | | 601,240 | 4,677,558 | 9,418,884 | 12,593,480 |
| Net change in unearned premiums provision | | 2,995,568 | 8,109 | (1,026,987) | (4,111,027) |
| Net earned premiums | | 3,596,808 | 4,685,667 | 8,391,897 | 8,482,453 |
| Commissions income | | 391,520 | 129,076 | 528,638 | 286,696 |
| Insurance policies issuance fees | | 148,099 | 181,404 | 445,784 | 479,039 |
| Interest income | | 122,951 | 141,065 | 228,744 | 201,090 |
| Other underwriting revenues | | 89,564 | 407,804 | 395,285 | 721,440 |
| Dividends income from investments in financial assets through other comprehensive income | | 12,006 | 9,789 | 12,006 | 9,789 |
| Other income | | 45,696 | - | 177,190 | - |
| Total revenues | | 4,406,644 | 5,554,805 | 10,179,544 | 10,180,507 |
| Claims and related expenses | | | | | |
| Paid claims | | 4,826,193 | 4,371,389 | 10,310,475 | 8,296,456 |
| Less: recoveries | | 311,221 | 389,724 | 905,786 | 794,974 |
| Less: reinsurance share | | 1,390,093 | 65,511 | 1,527,621 | 113,211 |
| Paid claims, net | | 3,124,879 | 3,916,154 | 7,877,068 | 7,388,271 |
| Net change in claims reserve | | 140,563 | 332,609 | (260,611) | 384,783 |
| Allocated general and administrative expenses | | 350,466 | 252,847 | 565,281 | 440,911 |
| Allocated employees' expenses | | 379,104 | 344,451 | 674,216 | 580,704 |
| Excess of loss premium | | 172,543 | 121,974 | 357,892 | 261,147 |
| Policies acquisition costs | | 228,251 | 101,936 | 490,726 | 475,849 |
| Other expenses related to underwriting | | 166,723 | 75,101 | 402,534 | 446,001 |
| Net Claims | | 4,562,529 | 5,145,072 | 10,107,106 | 9,977,666 |
| Unallocated employees' expenses | | 50,434 | 42,153 | 90,113 | 70,125 |
| Right of use assets depreciation | | 11,360 | 1,160 | 12,520 | 2,320 |
| Depreciation and amortization | | 42,828 | 43,276 | 84,459 | 86,505 |
| Unallocated general and administrative expenses | | 81,344 | 61,184 | 133,874 | 106,380 |
| Provision for expected credit losses -Reinsurance Receivables | | - | - | - | 50,000 |
| Recoveries from provision for expected credit losses | 5 | - | - | - | (270,928) |
| Total expenses | | 185,966 | 147,773 | 320,966 | 44,402 |
| (Loss) Profit for the period before tax | | (341,851) | 261,960 | (248,528) | 158,439 |
| Income tax expenses | 8 | 23,817 | - | - | - |
| (Loss) Profit for the period | | (318,034) | 261,960 | (248,528) | 158,439 |
| | | JD/Fils | JD/Fils | JD/Fils | JD/Fils |
| Basic and diluted earnings(loss) per share for the period | 14 | (0.032) | 0.026 | (0.025) | 0.016 |

The attached notes from 1 to 20 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | For the three months ended 30 June | | For the six months ended 30 June | |
|--|---------------------------------------|----------------|-------------------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | JD | JD | JD | JD |
| (Loss) Profit for the period | (318,034) | 261,960 | (248,528) | 158,439 |
| 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, net | (28,815) | (28,335) | (30,735) | (1,920) |
| Total comprehensive income for the period | <u>(346,849)</u> | <u>233,625</u> | <u>(279,263)</u> | <u>156,519</u> |

The attached notes from 1 to 20 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 SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | Paid in capital | Statutory reserve | Fair value reserve | Accumulated Losses | Total |
|---|--------------------|----------------------|-----------------------|-----------------------|------------------|
| | JD | JD | JD | JD | JD |
| 30 June 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 | - | - | (30,735) | (248,528) | (279,263) |
| Balance at 30 June 2023 | <u>10,000,000</u> | <u>233,225</u> | <u>(522,813)</u> | <u>(4,305,528)</u> | <u>5,404,884</u> |
| 30 June 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 | - | - | (1,920) | 158,439 | 156,519 |
| Balance at 30 June 2022 | <u>10,000,000</u> | <u>193,266</u> | <u>(493,518)</u> | <u>(4,207,191)</u> | <u>5,492,557</u> |

The attached notes from 1 to 20 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 SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | <u>Notes</u> | <u>30 June 2023</u> | <u>30 June 2022</u> |
|---|--------------|---------------------|---------------------|
| | | JD | JD |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| (Loss) Profit for the period before tax | | (248,528) | 158,439 |
| Adjustment for non-cash items: | | | |
| Depreciation and amortization | | 84,459 | 86,505 |
| Interest on lease obligations | | 157 | 456 |
| Depreciation on right use assets | | 12,520 | 2,320 |
| Net change in unearned premium reserve | | 1,026,987 | 4,111,027 |
| Net change in outstanding claims reserve | | (260,611) | 384,783 |
| Dividends income | | - | (9,789) |
| Recoveries from provision for expected credit losses | 8 | - | (270,928) |
| Provision for expected credit losses -Reinsurance receivables | | - | 50,000 |
| Interest income | | (228,744) | (201,090) |
| Cash flows from operating activities before changes in working capital | | 386,240 | 4,311,723 |
| Checks under collection | | 651,275 | (679,433) |
| Accounts receivable | | (3,266,179) | (2,855,574) |
| Reinsurance receivables | | (124,156) | (38,565) |
| Other assets | | 132,567 | (193,067) |
| Accounts payable | | 205,805 | (884,294) |
| Reinsurance payables | | 2,057,558 | 267,715 |
| Other liabilities and accrued expenses | | (77,982) | 4,813 |
| | | (34,872) | (66,682) |
| Income tax paid | | (31,645) | - |
| Net cash flows used in operating activities | | (66,517) | (66,682) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Dividends received | | 12,006 | 9,789 |
| Purchases of property, and equipment and intangible assets | | (96,090) | - |
| Deposits at banks maturing after three months | | (39,453) | 183,734 |
| Interest received | | 262,685 | - |
| Net cash flow from investing activities | | 139,148 | 193,523 |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Lease obligations paid | | (24,223) | (2,500) |
| Net cash flows used in financing activities | | (24,223) | (2,500) |
| Net increase in cash and cash equivalents | | 48,408 | 124,341 |
| Cash and cash equivalents at beginning of the period | | 2,789,602 | 4,549,184 |
| Cash and cash equivalents at the end of the period | 9 | 2,838,010 | 4,673,525 |

The attached notes from 1 to 20 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | Motor | | Marine | | Aviation | | Fire and other property damages | | Liability | | Medical | | Other branches | | Total | |
|--|-----------|-----------|---------|---------|----------|------|------------------------------------|-----------|-----------|--------|-----------|-----------|-------------------|--------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Written premium | | | | | | | | | | | | | | | | |
| Direct insurance | 6,759,203 | 6,753,418 | 194,577 | 146,934 | - | - | 1,204,629 | 1,373,543 | 132,275 | 97,012 | 6,667,640 | 5,788,638 | 13,530 | 11,254 | 14,971,854 | 14,170,799 |
| Less: | | | | | | | | | | | | | | | | |
| Local reinsurance share | 150,201 | 122,185 | 13,707 | 23,425 | - | - | 716,214 | 547,879 | 80,217 | 27,958 | 3,985,526 | - | 4,266 | 395 | 4,950,131 | 721,842 |
| Foreign reinsurance share | 119 | - | 170,283 | 110,151 | - | - | 414,960 | 725,538 | 9,504 | 11,102 | - | - | 7,973 | 8,686 | 602,839 | 855,477 |
| Net premiums | 6,608,883 | 6,631,233 | 10,587 | 13,358 | - | - | 73,455 | 100,126 | 42,554 | 57,952 | 2,682,114 | 5,788,638 | 1,291 | 2,173 | 9,418,884 | 12,593,480 |
| Add: | | | | | | | | | | | | | | | | |
| Balance at the beginning of the period | | | | | | | | | | | | | | | | |
| Unearned premium reserve | 4,704,703 | 4,347,852 | 100,300 | 69,175 | - | - | 1,239,800 | 1,027,864 | 56,714 | 40,508 | 2,136,814 | 1,765,257 | 30,355 | 28,083 | 8,268,686 | 7,278,739 |
| Less: reinsurance share | - | - | 92,240 | 63,250 | - | - | 1,133,315 | 911,302 | 32,724 | 14,011 | - | - | 24,661 | 23,856 | 1,282,940 | 1,012,419 |
| Net Unearned Premium reserve | 4,704,703 | 4,347,852 | 8,060 | 5,925 | - | - | 106,485 | 116,562 | 23,990 | 26,497 | 2,136,814 | 1,765,257 | 5,694 | 4,227 | 6,985,746 | 6,266,320 |
| Add: premium deficiency reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Less: | | | | | | | | | | | | | | | | |
| Balance at end of the period | | | | | | | | | | | | | | | | |
| Unearned premium reserve | 5,813,169 | 6,209,616 | 116,299 | 84,392 | - | - | 1,067,176 | 1,361,039 | 93,445 | 83,496 | 4,516,468 | 3,990,656 | 17,387 | 17,290 | 11,623,944 | 11,746,489 |
| Less: reinsurance share | 23,583 | - | 106,087 | 76,231 | - | - | 985,813 | 1,248,961 | 52,224 | 29,437 | 2,428,640 | - | 14,864 | 14,513 | 3,611,211 | 1,369,142 |
| Net unearned premiums reserve | 5,789,586 | 6,209,616 | 10,212 | 8,161 | - | - | 81,363 | 112,078 | 41,221 | 54,059 | 2,087,828 | 3,990,656 | 2,523 | 2,777 | 8,012,733 | 10,377,347 |
| Less: premium deficiency reserve | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net earned revenue from written premiums | 5,524,000 | 4,769,469 | 8,435 | 11,122 | - | - | 98,577 | 104,610 | 25,323 | 30,390 | 2,731,100 | 3,563,239 | 4,462 | 3,623 | 8,391,897 | 8,482,453 |

The attached notes from 1 to 20 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | Motor | | Marine | | Aviation | | Fire and other property damages | | Liability | | Medical | | Other branches | | Total | |
|--|------------------|------------------|---------------|---------------|----------|----------|------------------------------------|---------------|----------------|----------------|------------------|------------------|-------------------|--------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Paid claims | 5,942,005 | 4,835,483 | 18,398 | 38,086 | - | - | 177,335 | 120,154 | 80,561 | 17,475 | 4,076,050 | 3,284,746 | 16,126 | 512 | 10,310,475 | 8,296,456 |
| Less: | | | | | | | | | | | | | | | | |
| Recoveries | 835,036 | 743,805 | 360 | - | - | - | 22,204 | 24,709 | - | - | 47,193 | 26,460 | 993 | - | 905,786 | 794,974 |
| Reinsurance share | 37,685 | 5,422 | 11,274 | 30,471 | - | - | 124,600 | 76,771 | - | 137 | 1,341,636 | - | 12,426 | 410 | 1,527,621 | 113,211 |
| Net paid claims | <u>5,069,284</u> | <u>4,086,256</u> | <u>6,764</u> | <u>7,615</u> | <u>-</u> | <u>-</u> | <u>30,531</u> | <u>18,674</u> | <u>80,561</u> | <u>17,338</u> | <u>2,687,221</u> | <u>3,258,286</u> | <u>2,707</u> | <u>102</u> | <u>7,877,068</u> | <u>7,388,271</u> |
| Add: | | | | | | | | | | | | | | | | |
| Outstanding claims reserve at the end of the period | | | | | | | | | | | | | | | | |
| Reported | 6,807,417 | 7,558,181 | 42,567 | 93,597 | - | - | 1,139,414 | 484,899 | 96,399 | 82,227 | 114,719 | 884,621 | - | 612 | 8,200,516 | 9,104,137 |
| Unreported | 2,004,446 | 1,720,000 | 1,000 | 1,000 | - | - | 760 | 760 | 24,300 | 24,300 | 110,605 | 44,205 | 1,353 | 1,350 | 2,142,464 | 1,791,615 |
| Less: | | | | | | | | | | | | | | | | |
| Recoveries | 1,262,545 | 1,216,424 | - | - | - | - | - | - | - | - | - | - | - | - | 1,262,545 | 1,216,424 |
| Reinsurance share | 289,217 | 323,642 | 35,695 | 78,391 | - | - | 994,882 | 409,061 | 20,000 | 2,875 | 153,194 | - | - | 522 | 1,492,988 | 814,491 |
| Net outstanding claims reserve at the end of the period | <u>7,260,101</u> | <u>7,738,115</u> | <u>7,872</u> | <u>16,206</u> | <u>-</u> | <u>-</u> | <u>145,292</u> | <u>76,598</u> | <u>100,699</u> | <u>103,652</u> | <u>72,130</u> | <u>928,826</u> | <u>1,353</u> | <u>1,440</u> | <u>7,587,447</u> | <u>8,864,837</u> |
| Reported | 5,255,655 | 6,018,115 | 6,872 | 15,206 | - | - | 144,532 | 75,838 | 76,399 | 79,352 | (38,475) | 884,621 | 3 | 90 | 5,444,986 | 7,073,222 |
| Unreported | 2,004,446 | 1,720,000 | 1,000 | 1,000 | - | - | 760 | 760 | 24,300 | 24,300 | 110,605 | 44,205 | 1,350 | 1,350 | 2,142,461 | 1,791,615 |
| Less: | | | | | | | | | | | | | | | | |
| Outstanding claims reserve at the beginning of the period | | | | | | | | | | | | | | | | |
| Reported | 7,160,340 | 7,000,265 | 9,540 | 102,198 | - | - | 416,648 | 453,994 | 79,185 | 92,974 | 177,675 | 726,288 | 13,263 | 220 | 7,856,651 | 8,375,939 |
| Unreported | 2,004,446 | 1,720,000 | 1,000 | 1,000 | - | - | 760 | 760 | 10,000 | 24,300 | 44,430 | 28,892 | 19,462 | 1,350 | 2,080,098 | 1,776,302 |
| Less: | | | | | | | | | | | | | | | | |
| Recoveries | 325,163 | 975,812 | 7,830 | - | - | - | - | - | - | - | - | - | 10,641 | - | 343,634 | 975,812 |
| Reinsurance share | 1,383,244 | 212,033 | - | 95,677 | - | - | 361,813 | 385,581 | - | 2,875 | - | - | - | 209 | 1,745,057 | 696,375 |
| Net outstanding claims reserve at the beginning of the period | <u>7,456,379</u> | <u>7,532,420</u> | <u>2,710</u> | <u>7,521</u> | <u>-</u> | <u>-</u> | <u>55,595</u> | <u>69,173</u> | <u>89,185</u> | <u>114,399</u> | <u>222,105</u> | <u>755,180</u> | <u>22,084</u> | <u>1,361</u> | <u>7,848,058</u> | <u>8,480,054</u> |
| Net claims cost | <u>4,873,006</u> | <u>4,291,951</u> | <u>11,926</u> | <u>16,300</u> | <u>-</u> | <u>-</u> | <u>120,228</u> | <u>26,099</u> | <u>92,075</u> | <u>6,591</u> | <u>2,537,246</u> | <u>3,431,932</u> | <u>(18,024)</u> | <u>181</u> | <u>7,616,457</u> | <u>7,773,054</u> |

The attached notes from 1 to 20 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING LOSS FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)

| | Motor | | Marine | | Aviation | | Fire and other property damages | | Liability | | Medical | | Others branches | | Total | |
|---|------------------|-----------------|---------------|----------------|----------|----------|------------------------------------|----------------|-----------------|---------------|----------------|------------------|-----------------|----------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Net earned revenue from written premiums | 5,524,000 | 4,769,469 | 8,435 | 11,122 | - | - | 98,577 | 104,610 | 25,323 | 30,390 | 2,731,100 | 3,563,239 | 4,462 | 3,623 | 8,391,897 | 8,482,453 |
| Less: | | | | | | | | | | | | | | | | |
| Net claims cost | 4,873,006 | 4,291,951 | 11,926 | 16,300 | - | - | 120,228 | 26,099 | 92,075 | 6,591 | 2,537,245 | 3,431,932 | (18,024) | 181 | 7,616,457 | 7,773,054 |
| Add: | | | | | | | | | | | | | | | | |
| Commissions received | 2,341 | 4,456 | 74,959 | 59,006 | - | - | 157,114 | 207,193 | 15,586 | 13,871 | 276,687 | - | 1,951 | 2,170 | 528,638 | 286,696 |
| Insurance policies issuance fees | 147,051 | 157,220 | 4,731 | 4,510 | - | - | 40,341 | 92,355 | 3,443 | 12,244 | 248,042 | 212,146 | 2,176 | 564 | 445,784 | 479,039 |
| Other underwriting revenues | 84,473 | 176,351 | 9,970 | 255,537 | - | - | 27,744 | 77,725 | - | - | 273,098 | 211,827 | - | - | 395,285 | 721,440 |
| Total revenue | <u>884,859</u> | <u>815,545</u> | <u>86,169</u> | <u>313,875</u> | <u>-</u> | <u>-</u> | <u>203,548</u> | <u>455,784</u> | <u>(47,723)</u> | <u>49,914</u> | <u>991,681</u> | <u>555,280</u> | <u>26,613</u> | <u>6,176</u> | <u>2,145,147</u> | <u>2,196,574</u> |
| Less: | | | | | | | | | | | | | | | | |
| Policies acquisition cost | 304,242 | 223,096 | 15,328 | 5,900 | - | - | 34,497 | 40,964 | 6,149 | 6,474 | 128,823 | 197,525 | 1,687 | 1,890 | 490,726 | 475,849 |
| Excess of loss premium | 185,992 | 132,553 | 12,808 | 10,835 | - | - | 159,092 | 117,759 | - | - | - | - | - | - | 357,892 | 261,147 |
| Administrative expenses | 593,346 | 497,856 | 30,050 | 25,978 | - | - | 143,303 | 142,556 | 7,937 | 4,833 | 464,049 | 349,832 | 812 | 560 | 1,239,497 | 1,021,615 |
| Other expenses related to underwriting | 11,517 | 9,534 | - | 19,373 | - | - | 12,468 | 2,369 | - | - | 378,549 | 418,175 | - | (3,450) | 402,534 | 446,001 |
| Total expenses | <u>1,095,097</u> | <u>863,039</u> | <u>58,186</u> | <u>62,086</u> | <u>-</u> | <u>-</u> | <u>349,360</u> | <u>303,648</u> | <u>14,086</u> | <u>11,307</u> | <u>971,421</u> | <u>965,532</u> | <u>2,499</u> | <u>(1,000)</u> | <u>2,490,649</u> | <u>2,204,612</u> |
| Underwriting loss | <u>(210,238)</u> | <u>(47,494)</u> | <u>27,983</u> | <u>251,789</u> | <u>-</u> | <u>-</u> | <u>(145,812)</u> | <u>152,136</u> | <u>(61,809)</u> | <u>38,607</u> | <u>20,260</u> | <u>(410,252)</u> | <u>24,114</u> | <u>7,176</u> | <u>(345,502)</u> | <u>(8,038)</u> |

The attached notes from 1 to 20 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 paid in 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 31 July 2023.

(2) BASIS OF PREPARATION

The interim condensed financial statements for the six months ended 30 June 2023 were prepared in accordance with the instructions of the Insurance Management Department of Central Bank of Jordan in their letter No. 17/1/12675 dated 20 July 2023 and in accordance with the accounting policies followed by the Company set out below, as the Company did not apply IFRS No. (17) effective as of 1 January 2023, and 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 interim condensed financial statements.

The interim condensed financial statements have been prepared on historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value at the date of the interim condensed financial statement.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements and should be read in conjunction with the Company's annual report as of 31 December 2022. In addition, results for the six - months period ended 30 June 2023 are not necessarily indicative to the results that may be expected for the financial year ending 31 December 2023.

(2-1) CHANGES IN ACCOUNTING POLICIES

Segmental Information

The business segment represents a set of assets and operations that jointly provide products or services subject to risks and returns different from those of other business segments which were measured according to the reports used by the Company's Chief Executive Officer and the decision maker.

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

Financial Assets 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

Cash and cash equivalents comprise cash and balances at banks and balances with banks and financial institutions maturing within three months less balances due to banks and restricted funds.

Investment properties

Investment Properties are measured by cost, which includes the costs of completing the purchase process.

Investment Properties are depreciated based on their productive life using the productive straight-line method ranging from 2% to 12%. The lands are not depreciated.

The book value of investment properties is reviewed for impairment, when events or changes in circumstances indicate that the book value cannot be recovered. When such indicators exist and when the book value exceeds the recoverable value, the value of these investments is reduced to their recoverable value, and the impairment provision is recorded in the income statement.

Trade receivables

Trade receivables are stated at original invoice amount less any provision for expected credit loss. The company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a provision based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Reinsurance receivables

Reinsurance quotas shall be calculated from insurance premiums, compensation paid, technical provisions and all rights and obligations arising from reinsurance based on contracts concluded between the company and reinsurers and in accordance with the accrual basis.

Reinsurance

Within the company's normal activity, it carries out incoming and outgoing reinsurance operations with other insurance and reinsurance companies and is exposed to certain levels of risks in many areas with insurance and reinsurance companies. Reinsurance operations include quota, loss excess agreements, optional reinsurance and other forms of reinsurance in a way that basically covers all types of insurance. Reinsurance contracts do not exempt the company from its obligations to policyholders, as the failure of reinsurers to fulfill their obligations may lead to losses for the company, and therefore provisions are made for uncollectible amounts. The amounts recoverable from the reinsurer are estimated in a manner commensurate with the company's commitment to each claim.

The impairment of reinsurance assets

If there is any indication of a decrease in the value of the reinsurance assets of the company that owns the reinsured contracts, then the company must reduce the current value of those contracts and record the impairment loss in the income statement. An understatement is recognized only in the following cases:

- 1- The presence of objective evidence as a result of an event that occurred after the registration of the reinsurance assets confirms the inability of the company to collect all the amounts due under the terms of the contracts.
- 2- This event has an impact that can be measured clearly and reliably on the amounts that the company will collect from the reinsurer.

Costs of purchasing insurance policies

Acquisition costs represent the costs incurred by the company for selling, underwriting or starting new insurance contracts. Acquisition costs are recorded in the income statement.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value. Moreover, Property and Equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

| | <u>%</u> |
|----------------------------------|----------|
| Buildings | 2 |
| Equipment furniture and fixtures | 15 |
| Vehicles | 15 |

Depreciation is recognized for property and equipment when they are ready for use for their intended use. Property and equipment under construction for the Company's use are stated at cost after deducting any impairment losses.

When the recoverable amount of any property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment value is recorded in the income statement. The useful life of property and equipment is reviewed at the end of each year. If the expected useful life differs from the previously prepared estimates, the change in the estimate for subsequent years is recorded as a change in the estimates.

Gains or losses resulting from the disposal or deletion of any property and equipment, which represent the difference between the amount received from the sale and the book value of the asset, are shown in the income statement. Property and equipment are derecognised upon disposal or when no future benefits are expected from their use or disposal.

Intangible assets

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated statement of income.

Any indications of impairment of intangible assets are reviewed at the date of the financial statements. The chronological life estimate for those assets is also reviewed and any adjustments are made to subsequent periods.

Intangible assets include computer systems and programs, and the company's management estimates the life span of each item, as these assets are amortized using the straight-line method.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Pledged financial assets

They are those financial assets that are mortgaged in favor of other parties with the right of the other party to dispose of them (sale or re-mortgaging). These assets continue to be evaluated according to the accounting policies used to evaluate each according to its original classification.

Provisions

Provisions are recognized when the company has an obligation on the date of the financial statement arising from a past event and the costs to settle the obligation is probable and can be reliably measured.

The amounts recognized as provisions are the best estimate of the amounts required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When the amount of a provision is determined on the basis of the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When it is expected that some or all of the economic benefits required from other parties to settle the provision will be recovered, the receivable is recognized as assets if the actual receipt of compensation is certain and its value can be measured reliably.

A. Technical provisions

Technical provisions are monitored and kept in accordance with the instructions of the Insurance Department, as follows:

- 1- The provision for unearned premiums for general insurance business is calculated on the basis of the number of days remaining for the expiration of the insurance policy period, given that the number of days in a year is (365) days, with the exception of marine and transport insurance licenses. Where it is calculated on the basis of written premiums for the documents in force on the date of the financial statements submitted in accordance with the provisions of the law and the regulations and instructions issued pursuant thereto.
- 2- The provision for (notified) claims under settlement is calculated by determining the value of the expected total costs for each claim separately.
- 3- The provision for unreported claims is calculated based on the company's experience and estimates.
- 4- The provision for unearned premiums for life insurance business is calculated based on the company's experience and estimates.
- 5- The computational allowance for life insurance policies is calculated in accordance with the provisions of the instructions and decisions issued by the Insurance Department in this regard.

B. Provision for expected credit losses

The company applied the simplified method for recording expected credit losses on all debt instruments and calculated expected credit losses over the entire life of the debt instruments. The company has prepared a study based on the historical experience of credit loss, taking into account the future factors specific to the debtors and the economic environment.

Compliance adequacy test

At the date of the financial statements, the adequacy and suitability of insurance liabilities is assessed by calculating the present value of future cash flows related to existing insurance contracts.

If the assessment shows that the present value of the insurance liabilities is insufficient compared to the expected future cash flows, then the entire value of the deficiency is included in the income statement.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

A. Accrued taxes

Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws regulations and instructions of the countries where the bank operates.

B. Deferred taxes

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount.

Deferred tax is calculated on the basis of the liability method in the statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Realization of Income

A. Insurance contracts

Insurance premiums resulting from insurance contracts are recorded as revenue for the year (earned insurance premiums) on the basis of due time periods and in proportion to the period of insurance coverage. Unearned insurance premiums through insurance contracts as at the date of the financial statements are recorded in liabilities as unearned insurance premiums.

Claims and expenses for adjusting losses incurred are recorded in the income statement on the basis of the value of the expected liability for compensation belonging to insurance contract holders or to other affected parties.

B. Dividend and interest income

Dividend income from investments is realized when shareholders have the right to receive dividend payments, when approved by the General Assembly of Shareholders.

Interest income is accounted for on an accrual basis, based on the time periods due, principal amounts and the interest rate earned.

Recognition of Expenses

All commissions and other costs for obtaining new or renewed insurance policies are amortized in the income statement in the year in which they occur. Other expenses are recognized on an accrual basis.

Insurance compensation

Insurance compensation represents claims paid during the year and the change in the claims provision.

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 Expense

All distributable administrative expenses are charged to each insurance branch separately, and 80% of the non-distributable administrative expenses are distributed to the various insurance departments on the basis of the premiums received for each department in proportion to the total premiums.

Employee Expense

The distributable staff expenses are charged to each insurance branch separately, and 80% of the non-distributable staff expenses are distributed to the various insurance departments on the basis of the premiums received for each department in proportion to the total premiums.

Commission costs

It represents commission costs incurred by the company against selling, underwriting or starting new insurance contracts. Acquisition costs are recorded in the income statement.

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions.

Financial assets and financial liabilities are translated to Jordanian Dinar based on the average exchange rates declared by the Central Bank of Jordan on the date of the financial statements.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.

Gains or losses resulting from foreign currency translation are recorded in the statement of income.

Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

(2-2) USE OF ESTIMATES

The preparation of the interim condensed financial statements requires Company's 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 and the changes in fair value that shows in the equity section. Considerable judgment by groups' 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 Administration regulation, also mathematical reserve and IBNR are calculated based on actuarial studies.
- The provision for expected credit losses for receivables is formed based on the principles and assumptions approved by the company's management to estimate the provision to be formed in accordance with the requirements of the Insurance Authority.
- The financial year is charged with its related income tax in accordance with income tax laws and regulations.
- Management periodically reviews financial assets, which appear at cost, to estimate any impairment in their value, and this impairment is taken into account in the income statement.
- A provision on lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.

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(3) BANK DEPOSITS

This item represents the following:

| 30 June 2023 | | | | |
|---------------------------------------|---|--|-------------|---------------------|
| Deposits mature within a month* | Deposits mature during a period from 1 to 3 months | Deposits mature after 3 months and less than 1 year* | Total | 31 December 2022 |
| JD | JD | JD | JD | JD |
| | | | (Unaudited) | (Audited) |
| Inside Jordan | 2,769,288 | - | 4,282,284 | 7,051,572 |
| | | | | 6,943,972 |

* This item represents deposits at banks in Jordanian Dinar as at 30 June 2023 with an interest rate 5.50% for the deposit that matures within one month and with an interest rate that ranges between 4.75% and 6% for the deposits that matures within a year (31 December 2022: with an interest rate 5.50% for the deposit that matures within one month and with an interest rate that ranges between 4.25% and 4.75% for the deposits that matures within a year).

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

This item consists of the following:

| | 30 June 2023 | 31 December 2022 |
|---------------------------------------|-----------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Quoted shares in Amman Stock Exchange | 203,626 | 234,361 |

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(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

| | 30 June 2023 | 31 December 2022 |
|--|-------------------|---------------------|
| | JD (Unaudited) | JD (Audited) |
| Insurance Policy holders' receivables* | 9,930,750 | 6,694,684 |
| Due from sister companies (Note 12) | 6,918 | 6,918 |
| Employees' receivables | 14,936 | 16,090 |
| Others | 251,657 | 220,390 |
| | 10,204,261 | 6,938,082 |
| Less: Provision for expected credit losses** | 1,804,494 | 1,804,494 |
| | <u>8,399,767</u> | <u>5,133,588</u> |

The following table represents the aging schedule of accounts receivables:

| Past due and not impaired | Neither past due nor impaired | 1-90 days | 91-180 days | 181-360 days | Total |
|------------------------------|-------------------------------------|--------------|----------------|-----------------|-----------|
| | JD | JD | JD | JD | JD |
| 30 June 2023 | 5,160,989 | 1,968,100 | 908,926 | 361,752 | 8,399,767 |
| 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 2,863,213 as of 30 June 2023 (31 December 2022: JD 1,423,127) (Note 12).

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

| | 30 June 2023 | 31 December 2022 |
|--|-------------------|---------------------|
| | JD (Unaudited) | JD (Audited) |
| Balance at the beginning of the period/ year | 1,804,494 | 2,425,374 |
| Recoveries from provision | - | (620,880) |
| Balance at the end of the period/ year | <u>1,804,494</u> | <u>1,804,494</u> |

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(6) REINSURANCE RECEIVABLES

This item consists of the following:

| | 30 June 2023 | 31 December 2022 |
|--|-----------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Local reinsurance companies | 531,555 | 458,654 |
| Foreign reinsurance companies | 449,055 | 397,800 |
| | 980,610 | 856,454 |
| Less: Provision for expected credit losses * | 170,000 | 170,000 |
| | 810,610 | 686,454 |

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

| | 30 June 2023 | 31 December 2022 |
|--|-----------------|---------------------|
| | JD | JD |
| | (Unaudited) | (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

During the six-month period ended 30 June 2023, the Company purchased property and equipment for the Company for a value of JD 71,133 (30 June 2022: nil).

(8) INCOME TAX

No provision for income tax was calculated for the period ended 30 June 2023 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

Income Tax

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 2022 ,2021 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 adequate to meet any possible tax obligations.

Sales Tax

Final settlement was reached with the Income and Sales Tax Department up to the end of the year 2021.

(9) CASH AND CASH EQUIVALENTS

This item consists of the following:

| | 30 June 2023 JD (Unaudited) | 31 December 2022 JD (Audited) |
|---------------------------|--------------------------------------|--|
| Cash on hand | 2,052 | 621 |
| Current accounts at banks | 66,670 | 87,840 |
| | 68,722 | 88,461 |
| | 68,722 | 88,461 |

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

| | 30 June 2023 JD (Unaudited) | 30 June 2022 JD (Unaudited) |
|--|--------------------------------------|--------------------------------------|
| Cash on hand and at banks | 68,722 | 113,831 |
| Plus: Deposits at banks that mature within three months (Note 3) | 2,769,288 | 4,559,694 |
| Cash and cash equivalents | 2,838,010 | 4,673,525 |

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(10) ACCOUNTS PAYABLE

This item consists of the following:

| | 30 June 2023 | 31 December 2022 |
|---|------------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Medical network payables | 1,840,189 | 2,182,460 |
| Policy holders | 1,163,095 | 614,344 |
| Other payables | 13,512 | 14,187 |
| Amounts due to sister companies (Note 12) | 260 | 260 |
| | <u>3,017,056</u> | <u>2,811,251</u> |

(11) REINSURANCE PAYABLES

This item consists of the following:

| | 30 June 2023 | 31 December 2022 |
|-------------------------------|------------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Local insurance companies | 500,242 | 863,066 |
| Foreign reinsurance companies | 3,850,747 | 1,430,365 |
| | <u>4,350,989</u> | <u>2,293,431</u> |

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(12) RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, Companies of which they are principal owners, subsidiaries, and key managers personnel of the Company. 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 condensed statement of financial position as at:

| | 30 June 2023 JD (Unaudited) | 31 December 2022 JD (Audited) |
|---|--------------------------------------|--|
| Due from related parties' items - | | |
| Accounts receivable from Al-Manaseer Group - a primary shareholder (Note 5) | 2,863,213 | 1,423,127 |
| Edison Bradley International – Lebanon (sister company) (Reinsurance Brokerage Company) | 63,651 | 36,651 |
| The Mediterranean and Gulf Insurance company – Bahrain (Sister Company) | 6,918 | 6,918 |
| Checks under collection due from Al-Manaseer Group - a primary shareholder | 2,261,616 | 2,598,580 |
| | <u>5,195,398</u> | <u>4,065,276</u> |
| Due to related parties' item - | | |
| Addison Bradley - Jordan (Sister Company) * | 164,543 | 199,600 |
| Medivisa Company – Jordan (Sister Company) | 260 | 260 |
| | <u>164,803</u> | <u>199,860</u> |

* During the first quarter of 2022, the Company stopped 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 2022 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 2022.

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

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------------|
| | JD (Unaudited) | JD (Unaudited) |
| Written premiums – Al Manaseer Group (Primary Shareholder) | 3,439,394 | 2,817,865 |

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

| | For the six months ended 30 June | |
|-----------------------|-------------------------------------|-------------------|
| | JD (Unaudited) | JD (Unaudited) |
| Salaries and benefits | 91,000 | 68,757 |

(13) FAIR VALUE RESERVE

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

| | 30 June 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 | (30,735) | (480) |
| Balance at the end of the period/ year | (522,813) | (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:

| | For three months ended 30 June | | For six months ended 30 June | |
|---|-----------------------------------|---------------------|---------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| (Loss) profit for the period (JD) | (318,034) | 261,960 | (248,528) | 158,439 |
| Weighted average number of shares (share) | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| | JD/ Fils | JD/ Fils | JD/ Fils | JD/ Fils |
| Basic and diluted earnings (loss) per share for the period | (0.032) | 0.026 | (0.025) | 0.016 |

(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 Southeast, which represents international operations.

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

| | Inside Jordan | | Outside Jordan | | Total | |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Total revenues | 9,650,906 | 9,893,810 | 528,638 | 286,697 | 10,179,544 | 10,180,507 |

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| | Inside Jordan | | Outside Jordan | | Total | |
|--------------|---------------|------------------|----------------|------------------|--------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Total assets | 28,977,747 | 25,986,735 | - | - | 28,977,747 | 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 contingent risks or liabilities.

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

| | 30 June 2023 | 31 December 2022 |
|--|--------------|------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Total available capital | 6,056,372 | 6,296,817 |
| Capital requirements | | |
| Capital requirement against assets risks | 3,617,142 | 3,238,487 |
| Capital requirement against underwriting liabilities | 2,175,273 | 2,347,057 |
| Capital requirement against the reinsurance risks | 21,506 | 10,160 |
| Total required capital | 5,813,921 | 5,595,704 |
| Solvency margin ratio | 104.2% | 112.5% |

The company's solvency ratio reached 104.2% as of 30 June 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 lawsuits amounted to JD 577,041 as of 30 June 2023 (31 December 2022: JD 680,270), 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 provisions are sufficient to meet the obligations related to these cases as of 30 June 2023.

(18) CONTINGENT LIABILITIES

As at date of the interim condensed financial statements, the Company has contingent liabilities related to bank guarantees in the amount of JD 58,650 against cash margins of JD 5,865 (31 December 2022: JD 65,661 against cash margins of JD 9,614).

(19) FAIR VALUE FOR FINANCIAL ASSETS

The Company uses the following arrangement of valuation methods and alternatives in determining and presenting fair value of financial instruments:

Level 1: Quoted market prices in active markets for the same assets and liabilities.

Level 2: Other techniques where all inputs that have an important impact on fair value can be observable, directly or indirectly, from market information.

Level 3: Other techniques where inputs are used that have an important impact on fair value but are not based on observable market information.

The following table shows the analysis of financial instruments recorded at fair value and in the above hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------|----------|----------------|
| | JD | JD | JD | JD |
| 30 June 2023 (Unaudited) - | | | | |
| Financial assets | | | | |
| Financial assets at fair value through other comprehensive income | 203,626 | - | - | 203,626 |
| | <u>203,626</u> | <u>-</u> | <u>-</u> | <u>203,626</u> |
| 31 December 2022 (Audited) - | | | | |
| Financial assets | | | | |
| Financial assets at fair value through other comprehensive income | 234,361 | - | - | 234,361 |
| | <u>234,361</u> | <u>-</u> | <u>-</u> | <u>234,361</u> |

(20) LEGAL RESERVES

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