

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Independent Auditor's Report**  
**and Consolidated Financial Statements**  
**for the Year Ended December 31, 2022**

**Farrag & Nashwan & Co. for**  
**Auditing & Consultancies**

## Table of Contents

---

	<u>Exhibit</u>	<u>Page</u>
- Independent Auditor's Report		3-6
- Consolidated Statements of Financial Position as of December 31, 2022	(A)	7
- Consolidated Statements of Income as of December 31, 2022	(B)	8
- Consolidated Statements of Comprehensive Income as of December 31, 2022	(C)	9
- Consolidated Statements of Changes in Shareholders' Equity as of December 31, 2022	(D)	10
- Consolidated Statements of Cash Flows as of December 31, 2022	(E)	11
- Notes to the Consolidated Financial Statements as of December 31, 2022		12-41

---

**Independent Auditors' Report**

**To M/s the Shareholders of Ahlia Insurance Group (AIG)**

**Public Limited Shareholding Co.**

**Report on the Audit of the Consolidated Financial Statements**

**Qualified Opinion**

We have audited the attached consolidated financial statements of Al Ahlia Insurance Group Company for Public Shareholding Limited, and its subsidiaries - Palestine, shown on pages No. (7 - 41), which consist of the statement of financial position as on December 31, 2022, and the consolidated statement of income and comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended, and the notes to the consolidated financial statements, including significant accounting policies.

In our opinion, and with the exception of the possible effects of what is contained in the basis for qualified opinion paragraph in our report, the consolidated financial statements present fairly, in all material respects, the financial position of the Ahlia Insurance Group Company for Public Shareholding Limited, and its subsidiaries as on December 31, 2022, its financial position performance, and its cash flows for the fiscal year ending on that date in accordance with International Financial Reporting Standards and the requirements of the Palestinian Companies Law.

**Basis of Qualified Opinion**

- We did not receive confirmations from local insurance companies and foreign reinsurance companies, as well as we did not receive approvals for receivables and payables in a way that enhances their balances as on December 31, 2022, and its verifiability; Note No. (9).
- Until the date of issuing the report, the company had not reached final settlements with the income tax and value added tax departments for the years from (2005 – 2020), as the income tax and value added tax departments are claiming amounts from the company for these mentioned years, as there are currently cases filed with the Income Tax Appeals Court for the years from (2007 – 2013), these issues are still pending before the court, and according to the opinion of the legal advisor and the tax advisor, the provisions that were determined by the company are reasonable to face such issues, and we were not able, through the audit procedures, to ascertain the adequacy of the income tax and value tax provision added for those years, whereas, the actual amount of income tax and value-added tax owed by the company is finally decided upon after negotiations with the income tax and value-added tax departments, or in accordance with the provisions of the judiciary Note (20). The company obtained a debit certificate from the source and a value-added tax certificate from the Ministry of Finance at the end of 11/2022, in effect as of the end of the year.
- The company has not reversed any effects related to the application of IFRS No. (9) as of December 31, 2022, and the company has conducted a new study of the value of the impact resulting from the application of this standard.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are explained more fully in the Auditor's responsibilities for the audit of the financial statements section of this report.

We are independent of the Company in accordance with the Code of Professional Conduct for Auditors Registered with the Professional Council, which is consistent with the Code of Ethics for Practicing Accountants registered with the Palestinian Association of Certified Public Accountants together with the ethical requirements related to our audit of the financial

statements in Palestine, and we have fulfilled our ethical responsibilities in accordance with for these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the financial statements.

**Key Audit Matters “KAM”**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion on these financial statements, and we do not provide a separate opinion on these matters.

In addition to the matters described in the Basis for Qualified Opinion section, we have identified the key audit matters that require reporting in our report:

Key Audit Matters	How Key Audit Matters were addressed through the auditing
<p><b>Assets and liabilities of insurance contracts</b></p> <p>Note No. (10) about the financial statements shows the insurance contract liabilities amounting to (18,038,202) USD as on December 31, 2022 an amount (22,942,244) USD as on December 31, 2020, and insurance contract assets amounting to (6,365,112) USD as on December 31, 2022, (8,396,977) USD as of December 31, 2021, the assets and liabilities of insurance contracts need technical skills specialized in actuarial studies and vigorous follow-up by the company's management, and therefore they are considered among the important items that may contain risks, especially since their estimation depends to a large extent On the diligence and professional judgment of the actuary, and the management of the company, as the liabilities of insurance contracts constitute (29%) of the total current liabilities of the company.</p>	<p>- When taking into account the value of the under-settlement claims reserve formed of (12,270,039) USD (reinsurance share of which amounted to (5,959,556) USD) for the possibility of compensation for those affected by accidents, we reviewed the detailed disclosure of the reserve formation prepared by the Compensation Department and studied a random sample of the formed reserves and paid compensation The documents supporting the file were reviewed, and an analytical study of the reserves was made to ensure that there were no fundamental deviations. The study of the actuarial expert of the company was also reviewed and the reserves were recorded according to the study of the actuary. The reservation was made in the paragraph on the basis of the conservative opinion on the balances of local insurance companies. And foreign reinsurance companies as of December 31, 2022.</p> <p>- When taking into account the value of the reserve for unexpired risks, consisting of (5,138,427) USD (reinsurance share of which amounted to (129,066) USD) for the possibility of unearned premiums during the current financial year, which is calculated at the end of the year for insurance branches as an estimate by the actuary, we have looked On the actuarial expert’s report, and verifying the validity of the balance, the study of the actuarial expert of the company was reviewed, and making sure that the reserves were recorded according to the actuarial expert’s study.</p>

	<p>Based on the above audit procedures, the adequacy of the estimated reserves has been reviewed.</p> <p>- When taking into account the net value of the unreported claims reserve consisting of (142,291) USD, we have examined the reasonableness of the basic assumptions made by management for calculating the unreported claims based on the rate of settlement of these unreported claims based on the frequency of such settlements in the years Previously, the balances of local insurance companies, foreign reinsurance companies, and receivables were reserved in the paragraph on the basis of the conservative opinion, as of December 31, 2022.</p>
--	--

### **Responsibility of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, in accordance with applicable laws in the State of Palestine (the requirements of the Companies Law, and the Palestinian Capital Market Authority), and this responsibility includes maintaining the internal control that management finds necessary to enable it to prepare the financial statements in a fair manner free from material errors Arising from fraud or by mistake.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, where appropriate, matters related to the Company's ability to continue as a going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations or not It has no real alternatives except doing so.

Management is responsible for overseeing the Company's consolidated financial reporting method.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is to give a high level of confidence, but it does not guarantee that an audit conducted in accordance with International Standards on Auditing will always detect material misstatements when they occur. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of these consolidated financial statements.

As part of the auditing process that is carried out in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism at all stages of the audit. We also do the following:

- Identifying and assessing the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures to respond to those risks, and obtaining sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement arising from fraud is greater than the risk of not detecting the error committed, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.

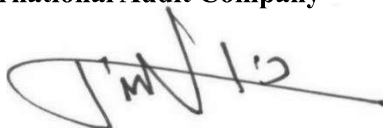
- Obtaining an understanding of internal control in connection with the audit process, with the aim of designing appropriate audit procedures according to the circumstances, and not for the purpose of expressing an opinion regarding the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures made by management.
- Reaching a conclusion about the appropriateness of management's use of the accounting basis of the going concern based on the audit evidence obtained, and whether there are uncertainties about the existence of events or circumstances that may cast doubt on the company's ability to continue as a going concern. If we conclude that such cases exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions could cause it to cease its business as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements reflect related transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient and appropriate audit evidence related to the financial information of the activities of the affiliated entities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and implementation of the company's audit process, and we remain the only ones responsible for our report.
- We communicate with management about, among other matters, the planned scope and timing of the audit and significant audit notes, including any weaknesses in internal control that we identify during our audit.

We also provide management with a statement that we have complied with the requirements of the Code of Ethics regarding independence and to provide them with all matters that may reasonably be thought to bear on our independence, and where applicable, safeguards.

Among the matters communicated with management are those matters that are considered to be the most important for the audit of the financial statements for the current year, and which are therefore considered key audit matters. We describe these matters in our auditors' report unless prohibited by law or regulation precluding public disclosure of the matter or when, in extremely rare circumstances, we determine that the matter should not be raised in our report because the adverse effects of doing so may outweigh the public benefits of disclosing the matter.

The partner responsible for auditing this process and who signed the independent auditor's report is the Executive Director, Dr. Iskandar Mahmoud Nashwan.

**Farrag & Nashwan & Co. for Auditing & Consultancies**  
**An Independent Member of Baker Tilly**  
**International Audit Company**



**Dr. Iskandar Mahmoud Hussein Nashwan**  
**Certified Accountant License No. (162/98)**  
**March 30, 2023**

فراج ونشوان وشركاهم  
  
للتدقيق الحسابات

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Consolidated Statement of Financial Position as of December 31, 2022 - Exhibit (A)**

<u>Assets</u>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
		<u>USD</u>	<u>USD</u>
<b><u>Non-Current Assets</u></b>			
Property, Plant and Equipment-net	3	2,673,469	1,692,192
Investments property	4	31,037,214	25,148,933
Financial Assets through other Comprehensive Income	5	615,880	653,724
Financial Assets available for sale	6	103,504	102,807
Financial investments held to maturity date	7	548,383	543,805
Deferred Tax Assets	8	2,874,000	3,212,680
Cheques under collection – Maturing after one year	12	14,840,013	21,343,460
<b>Total Non-Current Assets</b>		<b>52,692,463</b>	<b>52,697,601</b>
<b><u>Current Assets</u></b>			
Accounts Receivable-net	9-a	15,848,303	18,002,331
Insurance and Reinsurance Companies Receivables	9-b	7,417,997	8,678,785
Reinsurance Contract Receivables	10	6,365,112	8,396,977
Assets and Other Debit Balances	11	12,937,005	12,718,277
Cheques under Collection	12	11,047,072	10,490,478
Deposits at Banks	13	2,441,401	5,871,775
Cash and Cash Equivalents	14	3,702,243	4,283,437
<b>Total Current Assets</b>		<b>59,759,133</b>	<b>68,442,061</b>
<b>Total Assets</b>		<b>112,451,596</b>	<b>121,139,662</b>
<b><u>Liabilities and Shareholders' Equity</u></b>			
<b><u>Shareholders' Equity</u></b>			
Paid-in Capital	15	13,500,000	13,500,000
Issuance Bonuses		75,000	75,000
Treasury Shares		(291,600)	(421,200)
Legal Reserve	16	2,977,850	2,860,116
Optional Reserve	17	2,900,000	2,900,000
Cumulative Change in Fair Value		447,338	-
Translation differences Foreign Currency		696,385	1,383,639
Earnings (losses) from prior years	18	(1,767,820)	(2,827,433)
<b>Shareholders' Equity attributable to shareholders of the parent</b>		<b>18,537,153</b>	<b>17,470,122</b>
Non-controlling interests		29,733,192	28,109,695
<b>Net Shareholder's Equity</b>		<b>48,270,345</b>	<b>45,579,817</b>
<b><u>Liabilities</u></b>			
<b><u>Non-Current Liabilities</u></b>			
Provision for Employees' Indemnity	19	2,050,550	2,159,092
Deferred Tax Liabilities		-	185,199
<b>Total Non-Current Liabilities</b>		<b>2,050,550</b>	<b>2,344,291</b>
<b><u>Current Liabilities</u></b>			
Miscellaneous Provisions	20	5,340,420	6,130,604
Accounts Payable	21	6,628,794	7,423,041
Insurance and Reinsurance Companies Payable	22	342,142	388,347
Other Credit Balances	23	12,255,752	18,177,166
Insurance Contract Liabilities	10	18,038,202	22,942,244
Overdraft Facilities	24	1,218,827	4,686,398
Credit loans	25	8,459,267	4,723,321
Notes Payable (Post Dated Cheques)	26	9,847,297	8,744,433
<b>Total Current Liabilities</b>		<b>62,130,701</b>	<b>73,215,554</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>112,451,596</b>	<b>121,139,662</b>

“The accompanying notes constitute an integral part of these financial statements”

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Consolidated Statement of Income for the Year Ended December 31, 2022 – Exhibit (B)**

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
		<u>USD</u>	<u>USD</u>
<b><u>Insurance contracts Revenues</u></b>			
Subscribed Gross Insurance Premium	27	19,210,825	21,499,061
Reinsurance Share of Gross Insurance Premium	27	(985,793)	(1,029,673)
<b>Net Subscribed Gross Premium</b>	<b>27</b>	<b>18,225,032</b>	<b>20,469,388</b>
Change in Unexpired Risk Reserve	27	70,444	(1,584,266)
<b>Realized Premium</b>	<b>27</b>	<b>18,295,476</b>	<b>18,885,122</b>
Commissions Received	27	47,699	45,134
Gain from evaluation of Investment property	27	-	551,631
Provision for Low investments	27	734	388
Interest, deposits and loans	27	158,003	473,785
<b>Total business Segment Revenues</b>		<b>18,501,912</b>	<b>19,956,060</b>
Paid Claims	27	(14,451,942)	(19,426,705)
Claims recovery	27	1,785,537	1,447,961
Reinsurance Share of Paid Claims	27	874,370	5,115,826
Change of outstanding Claims provision	27	712,092	(838,078)
Net Commissions Paid	27	(1,810,249)	(1,783,494)
Direct Expenses for Insurance segments	27	(2,873,390)	(2,987,894)
Provision for Doubtful Accounts	27	(2,083,342)	(2,914,648)
Currency Exchange Difference	27	1,530,716	(518,444)
Other revenues	27	4,272,875	2,619,394
General and Administrative Expenses	28	(3,629,534)	(4,958,180)
Net Deferred Tax Movement		217,447	2,915,637
<b>Total business Segment Expenses</b>		<b>(15,455,420)</b>	<b>(21,328,625)</b>
<b>Total Business Segment Profit</b>		<b>3,046,492</b>	<b>(1,372,565)</b>
<b>Total Earnings Before Taxes</b>		<b>3,046,492</b>	<b>(1,372,565)</b>
<b>Tax allowances</b>		<b>(78,204)</b>	<b>(212,519)</b>
<b>(Loss) Earnings After Tax</b>		<b>2,968,288</b>	<b>(1,585,084)</b>
<b>To be distributed to:</b>			
Shareholders of the parent		<b>1,177,347</b>	<b>(2,757,946)</b>
Non-controlling interests		<b>1,790,941</b>	<b>1,172,862</b>
Distributed to shareholders of the parent	29	<b>0.022</b>	<b>(0.051)</b>

“The accompanying notes constitute an integral part of these financial statements”

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Consolidated Statements of Comprehensive Income as of December 31, 2022 – Exhibit (C)**

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
<b>(Loss) Profit after Income Tax – Exhibit (B)</b>	<b><u>2,968,288</u></b>	<b><u>(1,585,084)</u></b>
<b><u>Other Comprehensive Income items</u></b>		
Change in translation difference	(687,254)	168,812
Change in fair value	447,338	(511,972)
<b>Total Other Comprehensive Income</b>	<b><u>(239,916)</u></b>	<b><u>(343,160)</u></b>
<b>Net Comprehensive Income for the Year</b>	<b><u>2,728,372</u></b>	<b><u>(1,928,244)</u></b>
<b>To be distributed to:</b>		
<b>Shareholders of the parent</b>	<b><u>937,431</u></b>	<b><u>(3,101,106)</u></b>
<b>Non-controlling interests</b>	<b><u>1,790,941</u></b>	<b><u>1,172,862</u></b>

“The accompanying notes constitute an integral part of these financial statements”

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Consolidated Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2022 – Exhibit (D)**

	Paid-in Capital	Issuance Bonuses	Treasury Shares	Legal Reserve	Optional Reserve	Change in fair value	Change in Translation Differences	Earnings from Prior Years	Shareholders of the parent	Non-Controlling Interests	Total Equity
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>Balance as of January 1, 2022</b>	13,500,000	75,000	(421,200)	2,860,116	2,900,000	-	1,383,639	(2,827,433)	17,470,122	28,109,695	45,579,817
Net income statement results	-	-	-	-	-	-	-	1,177,347	1,177,347	1,790,941	2,968,288
Change in translation differences	-	-	-	-	-	-	(687,254)	-	(687,254)	-	(687,254)
Change in fair value	-	-	-	-	-	447,338	-	-	447,338	-	447,338
<b>Total comprehensive income for the year</b>	-	-	-	-	-	<b>447,338</b>	<b>(687,254)</b>	<b>1,177,347</b>	<b>937,431</b>	<b>1,790,941</b>	<b>2,728,372</b>
Change in the value of treasury shares	-	-	129,600	-	-	-	-	-	129,600	-	129,600
Redistribution of legal reserve	-	-	-	117,734	-	-	-	(117,734)	-	-	-
Net change in non-controlled interests	-	-	-	-	-	-	-	-	-	(167,444)	(167,444)
<b>Balance December 31, 2022</b>	<b>13,500,000</b>	<b>75,000</b>	<b>(291,600)</b>	<b>2,977,850</b>	<b>2,900,000</b>	<b>447,338</b>	<b>696,385</b>	<b>(1,767,820)</b>	<b>18,537,153</b>	<b>29,733,192</b>	<b>48,270,345</b>
<b>Balance as of January 1, 2021</b>	13,500,000	75,000	(469,800)	2,860,116	2,900,000	511,972	1,214,827	(69,487)	20,522,628	27,494,387	48,017,015
Net income statement results	-	-	-	-	-	-	-	(2,757,946)	(2,757,946)	1,172,862	(1,585,084)
Change in translation differences	-	-	-	-	-	-	168,812	-	168,812	-	168,812
Change in fair value	-	-	-	-	-	(511,972)	-	-	(511,972)	-	(511,972)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	<b>(511,972)</b>	<b>168,812</b>	<b>(2,757,946)</b>	<b>(3,101,106)</b>	<b>1,172,862</b>	<b>(1,879,644)</b>
Change in the value of treasury shares	-	-	48,600	-	-	-	-	-	48,600	-	48,600
Net change in non-controlled interests	-	-	-	-	-	-	-	-	-	(557,554)	(557,554)
<b>Balance December 31, 2021</b>	<b>13,500,000</b>	<b>75,000</b>	<b>(421,200)</b>	<b>2,860,116</b>	<b>2,900,000</b>	<b>-</b>	<b>1,383,639</b>	<b>(2,827,433)</b>	<b>17,470,122</b>	<b>28,109,695</b>	<b>45,579,817</b>

“The accompanying notes constitute an integral part of these financial statements”

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Consolidated Statement of Cash Flows as at December 31, 2022 - Exhibit (E)**

	<u>Notes</u>	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
<b><u>Cash flows from operating activities</u></b>			
(Loss) Profit for the Year before Tax (Exhibit -B)		2,968,288	(1,372,565)
Change in Provisions for Employees' Indemnity	19	(108,542)	(667,945)
Depreciation	3	211,063	244,901
<b><u>Adjustments to reconcile Profits for the year to</u></b>			
<b><u>Net Cash flows Provided from Operating Activities:</u></b>			
<b><u>Change in operating assets and liabilities</u></b>			
Change in Accounts Receivable, Net		3,414,816	(6,380,533)
Change in Reinsurance Contract Assets		2,031,865	2,300,114
Change in Assets and Other debit balances		(218,728)	10,769
Change in Insurance Contract liabilities		(4,904,042)	692,131
Change in Miscellaneous Provisions		(790,184)	193,399
Change in Accounts Payable		(794,247)	2,214,556
Change in Insurance and Reinsurance Companies		(46,205)	145,122
Change in Oher Credit Balances		(5,921,414)	2,242,117
Change in Net Deferred Taxes		153,481	(3,027,481)
Change in Cheques under collection		5,946,854	(6,322,590)
Change in notes payment (post-dated Cheques)		1,102,864	4,273,475
<b>Net cash flows (used in) operating activities</b>		<b><u>3,045,869</u></b>	<b><u>(5,454,530)</u></b>
<b><u>Cash flows from Investment Activities</u></b>			
Change in Term Deposits		3,430,374	(953,400)
Change in investments		(5,888,281)	298,627
Tradable financial assets		32,569	(46,484)
Change to property, plant and equipment	3	(981,277)	1,139,670
<b>Net cash inflows (used in) provided from investing activities</b>		<b><u>(3,406,615)</u></b>	<b><u>438,413</u></b>
<b><u>Cash Flows from Financing Activities</u></b>			
Change in the difference of fair value		447,338	(511,972)
Change in the value of treasury shares		129,600	48,600
Change in Credit loans		3,735,946	(1,263,682)
Change in non-controlled interests		(167,444)	(557,554)
Change in overdraft facilities		(3,467,571)	613,499
<b>Net cash flows from financing activities</b>		<b><u>677,869</u></b>	<b><u>(1,671,109)</u></b>
Net Cash Flows (used in) during the Year		317,123	(6,687,226)
Change in translation differences		(898,317)	(76,089)
Cash and Cash Equivalents – Beginning of the Year		4,283,437	11,046,752
<b>Cash and Cash Equivalents - End of the Year – Exhibit (A)</b>		<b><u>3,702,243</u></b>	<b><u>4,283,437</u></b>

“The accompanying notes constitute an integral part of these financial statements”

**Ahlia Insurance Group Ltd.**  
**Public Limited Shareholding Company**  
**Ramallah, Palestine**

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

**1. Background-Establishment and activity of the Company**

Al-Ahlia Insurance Group Company (the Group) Public Shareholding Limited (formerly Gaza Al-Ahlia Insurance Company) was established on June 10, 1994 and registered with the Registrar of Companies in the Ministry of National Economy of the Palestinian National Authority in Palestine as a limited public shareholding company under No. (563200856) in accordance with the Companies Law for the year (1929) and its subsequent modifications.

The company's goals and objectives include the performance of all insurance and reinsurance businesses, all types of guarantees, compensation, and investment of funds in movable and immovable assets.

At its meeting held on March 30, 2008, the Ordinary General Assembly agreed to amend Article Two of the Memorandum of Association, which corresponds to Article Six of the by law, whereby the group's head office was transferred from Gaza to Jerusalem, provided that it is temporarily located in Ramallah.

The company operates through its branches, offices and agents deployed in Palestine according to the following list:

<b><u>List</u></b>	<b><u>December 31,</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Branches and Offices	17	18
Agents	22	22
Number of Employees	122	123

**2. Significant Accounting Policies**

**2.1 Basis of Preparation**

The consolidated financial statements for the financial year ended December 31, 2022 have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) emanating from the International Accounting Standards Board (IASB) .

The consolidated financial statements have been approved by the Executive Committee of the Governing Council and will be presented to the General Authority for approval at its annual meeting.

The Group's consolidated financial statements were approved by the Palestinian Capital Market Authority/General Insurance Administration.

The company's consolidated financial statements have also been prepared in accordance with the historical cost principle, with the exception of (financial assets available for sale, and real estate investments) shown at fair value.

The consolidated financial statements were prepared in USD, which is represent the functional currency of the Company.

**2.2. Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as of December 31, 2022. Control over an investee is achieving only if the company has:

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

- Influence over the company being invested in, which means that the existing rights give the Ahlia Insurance Group Company the ability to direct the activities of the investee company.
- The right to variable returns because of its control over the investee company.
- The ability to affect these returns through its influence on this company.

In general, the company considers that it has control over the investee company when it has a majority of the voting rights.

When the company's ownership percentage in the investee company's capital is less than the majority, the company takes into consideration all the facts and appropriate circumstances to assess whether control has been achieved over the investee company, which includes the following:

- Contractual agreements with other shareholders of the investee company.
- Rights arising from other contractual agreements.
- The company's voting rights, and potential voting rights.

It is worth noting that the company is reassessing its ability to control the investee company in the event that there are facts or circumstances that indicate a change in one of the three previously mentioned elements to establish control.

The consolidation of the consolidated financial statements of the subsidiaries begins when the company obtains control, while the consolidation ends when it loses control of its subsidiaries.

The assets, liabilities, income and expenses of subsidiaries that were acquired or disposed of during the year are added to the consolidated financial statements from the date on which control is acquired or the date of its loss.

The effect of the change in the ownership percentage in the subsidiary company (without losing control of it) is also recorded as transactions between the owners, in addition to excluding all balances, transactions, unrealized profits and losses resulting from transactions between the company and its subsidiaries and dividends in full.

In the event that the company loses control of its subsidiaries, the assets (including goodwill) and liabilities of the subsidiaries, and the book value of the rights of the non-controlling parties, are excluded, and the surplus or deficit from exclusion is recorded in the consolidated income statement, and any remaining investment is recorded at fair value.

- The ownership ratios of Al-Ahlia Insurance Group Company in the capital of its subsidiaries were as follows:

	<b>Ownership</b>	<b>Capital</b>	<b>Ownership</b>	<b>Capital</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>%</b>	<b>Subscribed</b>	<b>%</b>	<b>Subscribed</b>
Al Ahlia Real Estate Company*	100	3,000,000	100	3,000,000
United Marketing and Services Company*	100	100,000	100	100,000
Arik Engineering and Consulting Company*	100	100,000	100	100,000
Annona Land Real Estate Company**	99	13,960	99	13,960
Union Construction and Investment Company	30	32,000,000	30	32,000,000
<b>Total</b>		<b>35,213,960</b>		<b>35,213,960</b>

## Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022

---

The previous table shows that:

- Al Ahlia Real Estate & Investment Company is a limited private shareholding company registered in Palestine under the number (563130962) and operating in the contracting and construction business with a capital of US \$3,000,000 and in the number of 3,000,000 shares.
- The United Marketing & Services Company (UMSC) is a limited private equity company registered in Palestine under the number (563114941). It operates in all marketing and services with a capital of USD 100,000, with 100,000 shares.
- Arik Engineering and Consulting Company is a private limited joint stock company registered in Palestine under the number (562496232) and is engaged in engineering, design and engineering consultancy with a capital of 100,000 US dollars, and 100,000 shares.

Annona Land Real Estate Company is a private joint stock company registered in Palestine under No. 562582536 to carry out real estate investment business, with capital amounting to JOD 10,000 with a number of 10,000 shares. The company's registration letter showed its incorporation on March 13, 2019.

\* The company's management has confirmed that work at the first three companies was ceased, and it has not engaged in any operating activity.

\*\* Annona Land Real Estate Company did not operate, and its capital was not repaid.

- Union Construction and Investment Company is a public limited joint stock company registered in Palestine under the number (563201532) and is engaged in the construction of commercial, market, residential, hotel and tourist complexes of all kinds, as well as in the planning, design, implementation, establishment and management of industrial and tourist cities, with a capital of 32,000,000 US dollars, and 32,000,000 shares.

### **3. Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial statements as at December 31, 2021.

#### **A. IFRIC Interpretation No. (23) - Uncertainty over Income Tax Treatment**

This interpretation clarifies the accounting treatment of income tax when there is a degree of uncertainty in relation to tax that has an impact on the application of IAS 12. The interpretation does not apply to taxes and fees that are not included in the scope of IAS 12, nor does it include Special requirements for fees and penalties related to uncertain tax treatments, and the entity (company) must determine whether each uncertain tax treatment should be considered separately or considered in combination with other tax treatments.

There was no effect (arise) from applying these amendments to the consolidated financial statements.

#### **B. Standards issued, however not yet effective**

The International Accounting Standards Board has issued some standards and interpretations, which are still not in effect, and their application has not yet been adopted by the company. Disclosures of the company's consolidated financial statements. These standards will be implemented when they become effective.

#### **C. International Financial Reporting Standard No. (17) Insurance Contracts**

The standard provides a comprehensive model for the recognition, measurement, presentation and disclosure of insurance contracts. This standard replaces IFRS 4 -

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

Insurance Contracts. The standard applies to all types of insurance contracts (such as life contracts and other direct insurance contracts and reinsurance contracts) without regard to the entity issuing the insurance contract, and it also applies to certain insurance contracts. The general framework of the standard includes the use of the variable fee method and the premium allocation method.

This Standard will be applied from January 1, 2023, with comparison figures, allowing for an early application of the company to have applied International Financial Reporting Standard (IFRS) No. (9), and International Financial Reporting Standard (IFRS) No. (15), before or with the application of International Financial Reporting Standard (IFRS) No. (17). The Company will make detailed assessments of the effect of International Financial Reporting Standard IFRS No. (17).

Although the company did not implement early amendments to standard No. (9), with the application of Standard (17) on its effective date, in the coming years until the mandatory application of the standard in 2023, it will make the proper provisions necessary to address any deficiencies in applying these amendments to the standard.

### **D. Instructions of the Capital Market Authority regarding Standard 17**

To prepare for the implementation of Standard 17 in the year 2023, the Palestinian Capital Market Authority indicated in its letter No. HSRF/Diwan 15408/2020 that insurance companies must complete the three stages that precede the implementation date of Standard 17 during the remaining period to start applying it according to the following stages:

- Evaluation stage.
- The design and preparation stage.
- The stage of application and implementation.

### **E. Amendments to International Financial Reporting Standard (3): Definition of "Business"**

The International Accounting Council has issued amendments to the definition of "business" in International Financial Reporting Standard (3) - Business merger to help enterprises determine whether the range of activities and assets acquired to meet the definition of "Business", clarifies minimum business requirements, deletes the assessment of whether market participants can replace any non-existent business elements, and adds guidelines to help enterprises assess whether the process is substantial, identify business and output definitions, and add an optional fair value concentration test.

As the modifications apply with a future effect on transactions or other events that occur at or after the initial application date, there will be no impact on the company from the application of these modifications on the date of the transition.

## **2.2. Recognition and Measurement**

The preparation of consolidated financial statements and the application of accounting policies require the company's management to make estimates and judgments that affect the amounts of financial assets and liabilities and to disclose potential liabilities.

In addition, these estimates and judgments affect revenues, expenses, and provisions, as well

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

as changes in fair value that appear within equity. In particular, it requires the company's management to issue important judgments and decrees to estimate the amounts and times of future cash flows. The mentioned estimates are necessarily based on multiple assumptions and factors that have varying degrees of estimation and uncertainty, and the actual results may differ from the estimates because of changes resulting from the conditions and circumstances of those estimates in the future.

### **The following are the details of the main judgments made by the company:**

#### **A. Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flows model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and other volatilities.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **B. Impairment of Financial Assets**

The Company considers investments classified as financial assets available for sale as impaired when there is a significant or prolonged decline in the fair value below cost or other objective evidence of the decline.

The company's management periodically reviews the financial assets, which appear at a cost, to estimate any impairment in their value. This impairment is taken into the consolidated income statement for the year.

#### **C. Impairment of accounts receivable**

The Company makes an estimate of the collectible receivable when the collection of the amount is no longer probable fully collected. Amounts that are significant are estimated on an individual basis. Significant amounts are past due for a long period, are estimated collectively and a provision is calculated based on the period that has passed on them.

#### **D. Useful lives of tangible assets**

The Company's management reviews, regularly, the useful lives of the tangible assets in order to assess the depreciation for the year based on the assets' condition, useful life, and future economic benefits. Any impairment is recognized in the income statement.

#### **E. Investments properties**

Fair values of investments are determined by accredited appraisers from the Palestinian Capital Market Authority.

#### **F. Provision of unpaid claims (outstanding claims)**

The reserve for unpaid claims outstanding is estimated based on the assumptions related to the estimation of amounts payable to policyholders and other parties and arising from claims under insurance contracts.

A legal study prepared by a lawyer provides a provision for the cases filed against the company, the company under which the risks that may occur in the future are determined, and those risks are reconsidered periodically. Estimates of the expected final cost are made for claims incurred but not reported up to the date of preparing the consolidated financial statements, where management estimates the cost of unreported

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

claims using specific statistics based on previous experience and its estimates to pay compensation for accidents that occurred and were not reported as on the date of the Financial Statements. These estimates are necessarily based on assumptions related to many factors and varying degrees of appreciation and uncertainty. Actual values may differ from these estimates and may be revised in the future.

### **G. Unexpired risk reserve**

The actuarial expert computes a reserve of current risks at the end of the year for the insurance branches on an estimation basis.

### **H. Refunds**

- When estimating outstanding claims reserves, estimated refunds from refunds resulting from the company's legal status are taken into consideration.
- Refunds from accident losses or destruction is recorded as revenue only when collected.

### **I. Taxes provision**

Tax provisions are calculated based on prevailing tax laws and regulations in Palestine, and International Accounting Standards.

The income tax expense represents the accrued income tax, which is calculated based on the Company's taxable income. Taxable income may differ from accounting income as the latter includes non-taxable revenues or non-deductible expenses in the fiscal year, but in subsequent years or losses, taxable backlog, or items that are not deductible or deductible for tax purposes. Tax is calculated according to the tax rates established in accordance with the laws and regulations in force.

## **2.3. Summary of significant accounting policies**

### **A. Revenue recognition**

#### **Insurance contracts**

Premiums arising from insurance contracts are recorded as revenue for the year (earned premiums) based on the due periods in proportion to the insurance coverage period. Unpaid insurance premiums are recorded through insurance contracts as at the date of the consolidated financial statements within the liabilities as insurance unearned premiums (existing risk reserve).

Claims and incurred loss adjustment expenses are charged to the consolidated income statement based on the value of the expected liability for compensation attributable to insurance contract holders or other affected parties.

#### **Interest Revenues**

Interest income is recorded using the effective interest rate method, based on the rate used to deduct expected future cash flows during the life expectancy of the financial asset relative to its net book value.

#### **Dividend Revenues**

Profits or losses from trading investments in financial assets are recognized upon completion of the trading process and recognizing dividends from invested companies when the right to receive them arises.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

**B. Expenses recognition**

Commissions paid to intermediaries and other direct costs incurred concerning the acquisition and renewal of insurance contracts are amortized in the income statement when incurred. All other costs are recognized when incurred based on the accrual basis.

**Insurance claims**

Insurance claims consist of claims paid and changes in outstanding claims provision. Claims comprise amounts paid during the year to policyholders whether related to current or prior years. Gross outstanding claims comprise of the highest gross estimate cost of claims incurred but not settled in the reporting date. Claims also comprise provision for claims Incurred but Not Reported (IBNR) and it is calculated based on the best data available as of the date of the financial statements.

**General and administrative expenses**

The allocation of general and administrative expenses is proportionally allocating to each insurance segment based on gross insurance.

**C. Investments in financial assets**

Regular purchases and sales of financial assets are recorded on the transaction date, which is the date of the commitment to purchase the financial assets. Regular purchases and sales of financial assets are those, which are in accordance with what is customary in market regulations. Financial Assets are recorded at the time of purchase, at fair value, and direct acquisition expenses are added, except for financial assets at fair value through the income statement, which are initially recorded at fair value subsequently; all financial assets are carried at amortized cost or fair value

**D. Financial assets at amortized cost and effective interest method**

The Company measures financial investments at amortized cost if both of the following conditions are met:

- The financial assets are held within a business model to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Debt instruments that fulfill the previous two conditions are measured in terms of acquisition costs initially at fair value plus (Except in the case of the company choosing to classify these assets through the consolidated income statement as shown below), and subsequently measured at amortized cost using the effective interest rate method after deducting the impairment recognition of interest income using the effective interest rate method.

- The company reclassifies debt instruments from amortized cost to financial assets at fair value through the consolidated income statement if the objective of the business. Model for initial recognition has changed and therefore is not a method as the amortized cost is not appropriate. The effective interest rate is the interest rate that is used to discount future cash flows over the life of the debt instrument, or a shorter period in

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

certain cases, to equal the carrying amount at the date of initial recognition.

Upon initial recognition, the Company can classify a debt instrument that meets the above-amortized cost conditions as financial assets at fair value through the consolidated income statement if this leads to the removal or dilution in a way of significant accounting mismatch. The company cannot later undo this rating.

**E. Financial assets at fair value through the income statement**

These financial assets represent financial instruments that do not meet amortized cost or financial instruments that meet amortized cost conditions but which the Company has classified at fair value through the consolidated statement of income on initial recognition and measured at fair value. The Company did not classify any financial instrument that meets the terms of financial instruments at amortized cost to financial assets at fair value through the statement of comprehensive income.

On initial recognition, the Company classifies equity instruments at fair value through financial statements through the statement of income except for non-trading investments. These assets are classified at fair value through other comprehensive income. Financial assets are measure through the consolidated statement of income at fair value and any gain or loss arising from changes in the fair value of financial assets are recognize through the statement of comprehensive income.

Dividends are recognized from the investment in the financial instruments of the investee when the right to receive them is recognize in the consolidated statement of income.

**F. Financial assets as fair value through comprehensive income**

On initial recognition, the Company classifies financial instruments at fair value through other comprehensive income. This rating is done on a tool-by-tool basis and cannot be undone, nor can the company classify an equity instrument held at fair value through the income statement as fair value financial instruments through other comprehensive income.

Equity instruments are measured through other comprehensive income initially at fair value plus acquisition expenses. Later, these assets are measured at fair value and the resulting gain or loss is recognized for the change in fair value through other comprehensive income items in the cumulative change reserve account at fair value. Upon disposal of these assets, restricted gains or losses are not reclassified. Previously in the reserve account for the accumulated change in the fair value to the consolidated income statement, but it is recorded directly in the retained earnings account.

Dividend returns from investing in equity instruments are recorded from the investee companies as they arise. The right to receive it in the consolidated income statement, unless these returns are considered as a refund of part of the investment value.

**G. Impairment in Financial Assets at Amortized Cost**

Financial assets at amortized cost, including receivables, are assessed at the balance sheet date to determine whether there is any evidence of impairment. Financial assets are considered to be impaired when there is objective evidence of impairment, as a result of an event or event that occurred after the initial recognition of the financial asset, and affected the expected future cash flows of the instrument.

## Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022

---

### **H. Disposal of Financial Assets**

Financial assets are derecognized when the contractual right to use the cash flows from the assets has expired or when the financial assets and all the risks and rewards of ownership have been transferred to another entity. If the Company does not transfer or retains substantially all of the risks and rewards and retains control of the transferred assets, the remaining interest of the Company is recorded in the assets and the liabilities. If the Company retains all the risks and rewards of ownership of the transferred financial assets, the Company should continue to record the financial assets.

### **I. The fair value of Financial Instruments**

The financial assets quoted prices represent the fair value of the financial assets at the consolidated financial statements date. The fair value of financial assets which is not traded on active markets are determined using different methods, such as:

- Comparison of the market price to similar financial instruments.
- Analysis of future cash flows and discounting those cash flows at a discount rate used in other similar financial assets.
- Valuation methods aim to obtain a fair value that reflects market expectations and take into account market factors and any anticipated risks or rewards when estimating the value of financial instruments. Where there are instruments that cannot be measured reliably, they are stated at cost less any impairment in value.
- The fair value of interest-bearing items is estimated based on expected cash flows discounted using the same interest rates for items with the same terms and risks.

### **J. Impairment and Doubtful Collection of Financial Assets**

The Company reviews the carrying amounts of financial assets at the statement of financial position date to determine whether there are indications of impairment in their value individually or in combination. If such indicators exist, the recoverable amount is estimate to determine the impairment loss. The amount of impairment is determined as follows:

- Impairment of financial assets carried at amortized cost: based on estimated discounted cash flows at the original effective interest rate.
- Impairment of financial assets carried at fair value: represents the difference between the carrying value of the records and the fair value, less any previously recognized impairment losses recognized in the consolidated statement of income.
- Impairment of financial assets at a cost: Based on the present value of expected cash flows discounted at the current market rate of return on similar financial assets.

Impairment is record in the consolidated statement of income and any subsequent refunds in the coming period for previous impairment and is recognize in the consolidated statement of income except for the company stocks available for sale.

### **K. Investment in Associates**

The Company's investment in its associates is account for under the equity method of accounting. An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, investments in associates are Carrie in the consolidated

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

statement of financial position at cost and adjusted for post-acquisition changes in the company's share of the net assets of the associate. The income statement reflects the company's share of its associate's results of operations. Where there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes in the statement of shareholders' equity. Inter-company profit and loss transactions are eliminated to the extent of the Company's share in the relevant associate.

**L. Property Investments**

Investment properties are measured initially at cost plus acquisition costs. The cost of replacing the components of property investments is capitalized if the recognition criteria are met; the cost of the property investments does not include the daily service expenses. After initial recognition, investment properties are stated at a fair value that reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are recognized in the consolidated income statement in the period the change has occurred.

Property investments are derecognized when they are disposed of or when they are permanently suspended from service, provided that there is no expectation of future economic benefits from de-recognition. Any gain or loss arising from the de-recognition of investment property is recognized in the consolidated statement of income in the period of de-recognition.

**M. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in book value if any. The properties and equipment are depreciated when they are ready to be used based on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Percent %</u>
Buildings	3
Decorations	10
Electrical devices	10
Furniture and equipment	10
Computers	20
Advertisement boards	33.30
Motor vehicles	10
Software	5

The impairment of the book value of properties and equipment is examined when events or changes in circumstances indicate that there is no possibility of recovering their book value. When any of these pieces of evidence exist and when the book value exceeds the expected recoverable value, the book value is reduced to the expected recoverable value, which is the fair value minus the selling expenses or the "value in use", whichever is higher.

Costs of replacing components of properties and equipment are separately recognized and capitalized, and the book value of any component that is replaced is written off. Other subsequent expenditures are only capitalized when the future economic benefits related to property and equipment are increased. All other expenses are recognized in the consolidated income statement.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

**N. Reinsurance**

The company limits insurance risks by entering into reinsurance agreements. Reinsurance contract assets represent amounts that can be recovered from the reinsurance companies. Amounts recoverable from the reinsurance companies are estimated in a manner proportionate to the provision for unpaid claims and accordance with the reinsurance contracts and the reinsurance company's share of unearned premiums.

A review is performed for the impairment in the reinsurance contract assets outstanding at the financial statement date, or when an indication of impairment arises during the year. The decline occurs when awareness evidence appears that the company may not recover the amounts due according to the terms of the reinsurance contract, and when the impact on these amounts that the company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the consolidated income statement.

The reinsurance contract arrangement does not relieve the company of its obligations and liability toward policyholders.

Insurance premiums and claims are presented on the gross basis for both insurance burdens on the company and those reinsured.

**O. Insurance receivable**

Insurance receivable is recognized when due and measured on initial recognition at the fair value of the amount received or receivable against the issued insurance documents. The book value of insurance receivable is reviewed for impairment whenever events or circumstances indicate that the book value may not be recoverable, and a provision is done with the impairment loss and recorded in the comprehensive income statement in the year in which impairment arises. Bad debts are written off when they are determined.

**P. Cash and cash equivalents**

To prepare the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances, and short-term deposits with an original maturity of three months or less, after decreasing the restricted balances for withdrawals and deposits held for more than three months.

**Q. Insurance contracts liabilities**

Insurance contract liabilities are recognized upon signing the insurance contract and charging premiums.

Unearned premiums represent the portion of written premiums relating to the subsequent financial period as a result of valid insurance policies and are recorded among liabilities as unearned insurance premiums (unexpired risk reserve), and are calculated based on of the number of days remaining to the expiry of the insurance policy period after the consolidated financial statements date.

The total gross reserve for outstanding claims represents the estimated cost of the unpaid claim incurred as at the date of the balance sheet, whether notified or not, and this is to insurance contract holders and other parties, in addition to the related claims management expenses, minus the value of refunds from accidents and any other refunds.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

Provisions are calculated for claims Incurred but Not Reported (IBNR) as at the date of the financial statements based on estimating each case separately based on the reports of experts and lawyers and the company's experience and estimates.

The provision for claims Incurred but Not Reported (IBNR) is estimated and recorded based on the company's experience and its estimates to pay accidents compensations that occurred but were not reported as of the date of the consolidated financial statement.

**R. Liability adequacy test**

At each reporting date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance contract liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the income statement.

**S. Accounts payable and accrual**

Liabilities are recognized for amounts to be paid in the future for obligations and accruals for insurance contracts, in addition to the goods or services received, whether or not claimed by creditors

**T. Offsetting**

Offsetting between financial assets and financial liabilities in the consolidated statement of financial position is carried out only when binding legal rights exist, as well as when they are settled based on set-off or are realized Assets and liabilities settlement take place at the same time.

**U. Taxes provision**

Tax provisions are calculated based on prevailing tax laws and regulations in Palestine. The income tax expense represents the accrued income tax which is calculated based on the Company's taxable income. Taxable income may differ from the announced income as the latter includes non-taxable revenues or non-deductible expenses. Such income or expenses might be taxable or deductible in the following years.

Taxes are calculated according to the tax rates established in accordance with valid laws and regulations.

**V. Provision for Palestinian Road Accident Victims Compensation Fund and Provision for the Palestinian Capital Market Authority**

Starting from May 1, 2006, the Provision for Palestinian Road Accident Victims Compensation Fund was calculated at 15%, and 3% was calculated as a provision for the Palestinian Capital Market Authority (at the net vehicles act insurance), according to the general insurance department.

**W. Provision for Doubtful Accounts**

Provision for doubtful accounts is established in accordance with the ages of the outstanding debts. The provision ratios are 100% for debts outstanding for more than

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

four years, 80% for the fourth year, 60% for the third year, 40% for the second year, and 20% for the first (previous) year.

### **X. Provision for Employees' End of Service**

The provision for employees' end-of-service indemnity is calculated in accordance with the appointment decision, taking into consideration the minimum which is a one-month salary for each year of service based on the last salary paid to the employee according to the Palestinian Labor Law. A provision for accrued employees' leave is estimated based on unpaid leaves balances as of the date of the financial statements.

### **Y. Legal Reserve**

Every year, 10 percent of the annual net profits shall be deducted from the obligatory reserve account, and this may not be stopped before the total sums collected for this account reach half of the company's capital. This may be increased by a decision of the Board of Directors until the amounts collected for this account reach the equivalent of the capital, and then it must be stopped.

### **Z. Optional Reserve**

Based on the recommendations of the board of directors and the approval of shareholders at the general assembly meeting, the optional reserve is estimated by transferring amounts from the annual profits to the optional reserves. This reserve should be used for a purpose approved by the board of directors and may be returned to shareholders in the form of dividends.

### **AA. Segments Information**

A business segment consists of a group of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments.

The geographical segment is associated with the provision of products or services in a specific economic environment subject to risks and returns different from those related to business sectors in economic environments.

### **BB. Foreign Currencies**

Transactions dominated in currencies other than NIS occurring during the year are converted to NIS according to the exchange rates prevailing at the date of the transaction. Monetary Assets and liabilities are translated and those receivable or payable in other currencies at the end of the year to NIS according to exchange rates prevailing at the date of the consolidated financial statements. Currency differences are shown as profit or loss in the consolidated income statement.

To prepare the consolidated financial statements in USD, the items of assets and liabilities have been translated to the exchange rates prevailing at the date of the statements from the NIS to the USD according to the consolidated financial statements, and the owners' equity items were translated using historical exchange rates. The consolidated statement of income items has also been converted using the average exchange rates during the year. Foreign currency translation differences are shown as separate items within the equity.

Exchange rates against NIS as at the date of financial period were as following:

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

	December 31,		%
	2022	2021	
	NIS	NIS	
USD	3.5300	3.1100	13.50
Jordan Dinar	5.0100	4.3800	14.38
Central American dollar	3.3560	3.2293	3.92

**CC. Basic and diluted earnings per share of the current year's profit**

The basic earnings per share are calculated by dividing the profit of the year returned to the company's shareholders by the weighted average number of ordinary shares during the year. The diluted earnings per share are calculated by dividing the year's profit return to the Company's shareholders (taking into consideration returns, interest, and any income or expenses for convertible shares) by the weighted average number of ordinary shares during the year plus the weighted average number rate of the number of common shares to be issued if convertible shares are converted into ordinary shares.

Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022

**3. Property, Plant and Equipment**

List	Real Estates	Decorations	Electrical Equipment	Furniture and Fixtures	Computers	Advertising Signs	Motor Vehicles	Plant and Equipment	Software	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>January 1, 2022</b>	<b>1,202,563</b>	<b>530,621</b>	<b>339,118</b>	<b>825,104</b>	<b>1,274,278</b>	<b>151,568</b>	<b>570,941</b>	<b>138,435</b>	<b>1,101,980</b>	<b>6,134,608</b>
Additions	-	-	6,028	6,417	11,091	3,710	120,841	-	20,679	168,766
Disposals	(468,008)	-	-	(1,930)	-	-	(175,476)	-	-	(645,414)
Change in the fair value	470,531	-	-	-	-	-	-	-	-	470,531
Reclassification	1,012,500	-	-	-	-	-	-	-	-	1,012,500
Translation Differences	(110,591)	(63,133)	(40,646)	(84,940)	(137,688)	(18,217)	(50,437)	-	(132,132)	(637,784)
<b>Balance December 31, 2022</b>	<b>2,106,995</b>	<b>467,488</b>	<b>304,500</b>	<b>744,651</b>	<b>1,147,681</b>	<b>137,061</b>	<b>465,869</b>	<b>138,435</b>	<b>990,527</b>	<b>6,503,207</b>
<b>Accumulated Depreciation</b>										
<b>January 1, 2022</b>	<b>430,695</b>	<b>248,408</b>	<b>274,418</b>	<b>642,692</b>	<b>1,207,433</b>	<b>136,062</b>	<b>324,909</b>	<b>114,329</b>	<b>1,063,470</b>	<b>4,442,416</b>
Depreciation for the year	18,854	33,269	12,529	34,283	19,862	8,157	25,602	-	11,680	164,236
Additions	12,635	-	-	1,144	5,057	-	8,479	2,981	-	30,296
Disposals	(219,077)	-	-	(1,930)	-	-	(131,195)	-	-	(352,202)
Translation Differences	(27,612)	(31,195)	(33,268)	(65,140)	(131,465)	(16,591)	(22,630)	-	(127,107)	(455,008)
<b>December 31, 2022 balances</b>	<b>215,495</b>	<b>250,482</b>	<b>253,679</b>	<b>611,049</b>	<b>1,100,887</b>	<b>127,628</b>	<b>205,165</b>	<b>117,310</b>	<b>948,043</b>	<b>3,829,738</b>
<b>December 31, 2022-Exhibit "A"</b>	<b>1,891,500</b>	<b>217,006</b>	<b>50,821</b>	<b>133,602</b>	<b>46,794</b>	<b>9,433</b>	<b>260,704</b>	<b>21,125</b>	<b>42,484</b>	<b>2,673,469</b>
<b>December 31, 2021-Exhibit "A"</b>	<b>771,868</b>	<b>282,213</b>	<b>64,700</b>	<b>182,412</b>	<b>66,845</b>	<b>15,505</b>	<b>246,033</b>	<b>24,106</b>	<b>38,510</b>	<b>1,692,192</b>

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

**4. Investment Property**

This item consists of:

	Land	Buildings	Projects under Implementation	2022 USD	2021 USD
Balance at beginning of the year	10,799,451	5,098,458	9,251,024	25,148,933	25,635,670
Additions	5,912,401	8,383	827,193	6,747,977	6,397,840
Change in fair value for investment property	929,463	733,609	-	1,663,072	-
Investment property exclusion	(2,453,878)	-	(68,890)	(2,522,768)	(6,884,577)
<b>Year-end balance</b>	<b>15,187,437</b>	<b>5,840,450</b>	<b>10,009,327</b>	<b>31,037,214</b>	<b>25,148,933</b>

The value of real estate investments by the subsidiaries of Al Ahlia Group Insurance Company, whether land or buildings, in addition to real estate projects under implementation. Real estate investments are credited to the fair value of land, ready-to-sell projects, and projects under implementation. The fair value is recorded as soon as they are finally completed and ready to sell.

**5. Financial assets through comprehensive income**

This item in Union Company consists of:

	2022 USD	2021 USD
Home Real Estate Company	115,880	153,724
Opening Screenplay Company	500,000	500,000
<b>Balance, End of the Year</b>	<b>615,880</b>	<b>653,724</b>

**6. Financial Assets available for sale**

This item consists of:

	Additions (disposals) USD	Beginning balance USD	Change in fair value USD	Ending balance USD
Jericho Water factory	56,950	-	-	56,950
MENA Geothermal& Investment Company	42,989	-	-	42,989
Electricity Company	2,868	-	697	3,565
<b>Total – Exhibit “A”</b>	<b>102,807</b>	<b>-</b>	<b>697</b>	<b>103,504</b>

**7. Financial investments held until maturity date**

This item consists of:

	2022 USD	2021 USD
Juluis Bar Bond	548,383	543,805
<b>Balance, End of the Year</b>	<b>548,383</b>	<b>543,805</b>

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

**8. Deferred Tax Assets**

This item consists of the deferred tax value against allowances that are not included in the taxable profit calculation values, as follows:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Provision for Doubtful Accounts	2,248,920	2,480,537
Provision for end of severance pay	296,078	352,306
Provision for unreported claims	294,025	333,732
Provision for Holidays	34,977	46,105
<b>Balance, End of the Year</b>	<b>2,874,000</b>	<b>3,212,680</b>

**9. Accounts Receivable**

a. Net Accounts Receivable, this item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Insurance Document Receivables	11,080,193	13,863,072
Insurance Agents Receivables	3,360,788	4,249,456
Accounts Receivable of Real Estate Sales	9,822,634	9,171,814
<b>Total</b>	<b>24,263,615</b>	<b>27,284,342</b>
Provision for Doubtful Accounts	(8,415,312)	(9,282,011)
<b>Total</b>	<b>15,848,303</b>	<b>18,002,331</b>

b. Insurance and Reinsurance Companies Receivables

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Insurance Companies Receivables	1,127,551	1,161,767
Re-insurance Companies Receivables	6,290,446	7,517,018
<b>Total - Exhibit "A"</b>	<b>7,417,997</b>	<b>8,678,785</b>

c. Movements of the provision for doubtful accounts

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Balance, Beginning of the year	<b>9,282,011</b>	<b>7,986,839</b>
Movements of the Provision for Accounts during the year	250,000	1,000,000
Translation Differences during the year	(1,116,699)	295,172
<b>Balance, End of the Year – Note (a\9)</b>	<b>8,415,312</b>	<b>9,282,011</b>

Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022

**10. Assets and liabilities of insurance and reinstatement contracts**

A. This item consists of:

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
<b><u>Insurance Contracts Liabilities:</u></b>		
Gross Outstanding Claims	16,106,649	20,035,514
Less: (Net participations and refunds)- Note 10-b	(3,836,410)	(3,903,199)
Net outstanding claims	<b>12,270,239</b>	<b>16,132,315</b>
Reserve for Un-Expired Risk	5,138,427	5,917,616
Reserve for Claims Incurred but not Reported	629,536	892,313
<b>Total Insurance Contracts Liabilities</b>	<b>18,038,202</b>	<b>22,942,244</b>
<b><u>Insurance Contracts Assets:</u></b>		
Reserve for Outstanding Claims	5,959,556	7,908,840
Reserve for Un-Expired Risk	129,066	155,735
Reserve for Claims Incurred but not Reported	276,490	332,402
<b>Total Insurance Contracts Assets</b>	<b>6,365,112</b>	<b>8,396,977</b>
<b><u>Net Insurance Contracts Liabilities</u></b>		
Reserve for Outstanding Claims	6,310,683	8,223,475
Reserve for Un-Expired Risk	5,009,361	5,761,881
Reserve for Claims Expenses	210,055	369,511
Reserve for Claims Incurred but not Reported	142,991	190,400
<b>Total Insurance Contracts Liabilities</b>	<b>11,673,090</b>	<b>14,545,267</b>

**B - Participations and Refunds include:**

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Refunds of Insurance Companies	1,977,884	1,939,614
Refunds from the Palestinian Road Accidents Victims Compensation Fund - B1	548,154	622,182
Individuals Refunds	1,310,372	1,341,403
<b>Net participations and Refunds</b>	<b>3,836,410</b>	<b>3,903,199</b>

B-1 This amount represents the value of refunds from the Palestinian Road Accidents victim's compensation fund with an amount of NIS 9,681,904 (USD 2,742,749) for compensation applications and was lowered as refunds from allegations under reconciliation as at December 31, 2022. Hedges have been deducted from this amount that was calculated based on the company's legal counsel opinion, the legal department, and the company's management with an amount of NIS 7,746,916 (USD 2,194,595) based on the instructions from the PCMA to deduct those refunds that have listed files from allegations under reconciliation.

B-2 Refunds that do not have listed files were recorded in allegation reserves under reconciliation at an amount of NIS 27,967,171 (USD 7,922,711), while hedges were deducted

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

from it, which was calculated based on the company's legal counsel's opinion, the legal department and the company's management with an amount of NIS 11,644,340 (USD 3,298,680) in the assets and other receivables accounts (Note 9) in the financial statements.

The gross number of recovered claims for the company on behalf of the Palestinian Road Accidents Victims Compensation Fund as of December 31, 2022, was NIS 37,649,072 (USD 10,665,460) from previous years before December 31, 2014.

The total specialized hedges based on the legal counsel's opinion, the legal department, and the company's management are at an amount of NIS 19,391,256 equal to (USD 5,493,273), as follows:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Refunds for which there are existing files	2,742,749	3,113,152
Less: (Provisions)	(2,194,594)	(2,490,970)
<b>Net refunds for which there are exist Exhibit:(Note 8/b-1)</b>	<b>548,155</b>	<b>622,182</b>
Refunds for which there are not existing files	7,922,711	8,992,659
Less: (Provisions)	(3,298,679)	(3,744,160)
<b>Net refunds for which there are not exist Exhibit:(Note 9)</b>	<b>4,624,032</b>	<b>5,248,499</b>
<b>Net refunds and entries</b>	<b>5,172,187</b>	<b>5,870,681</b>

**11. Assets and Other Debit Balances**

a. This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Accrued Revenues	-	13,215
Prepaid Expenses	208,502	194,929
Refunds from the Palestinian Fund for Road Accident Victims	4,624,031	5,248,499
Due from Associate companies	196,406	222,897
Employees Receivables	1,031,515	835,773
Subsidiaries Balances	1,250,219	1,499,657
Government Debt – El Ersal Land – C	1,874,414	2,127,550
Advance Payments for Land Purchase	2,476,855	1,463,414
VAT and Income	428,405	347,641
Material in warehouse	316,320	316,320
Model Homes	157,107	157,107
Others	373,231	291,275
<b>Total</b>	<b>12,937,005</b>	<b>12,718,277</b>

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

**12. Cheques under Collection**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Cheques Maturing within 3 Months	3,529,488	3,761,398
Cheques Maturing within 3 – 6 Months	3,065,381	2,982,502
Cheques Maturing within 6 Months and less than 1 Year	4,452,203	3,746,578
<b>Total</b>	<u>11,047,072</u>	<u>10,490,478</u>
Cheques in collection - Maturing after one year-Exhibit (A)	14,840,013	21,343,460
<b>Net Cheques under Collection</b>	<u><b>25,887,085</b></u>	<u><b>31,833,938</b></u>

Cheques in the collection fee include USD 17,179,645 Cheques belonging to Etihad Reconstruction Company, of which USD 12,861,071 is due after more than a year.

**13. Investments Deposits with Banks**

a. This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Al Quds Bank deposits	600,000	1,651,098
The National Bank deposits	516,448	3,115,598
<b>Total deposits - (B)</b>	<u><b>1,116,448</b></u>	<u><b>4,766,696</b></u>
Arab Bank deposits – Restricted – (C)	250,000	250,000
Investment Bank deposits – Restricted – (C)	1,074,953	855,079
<b>Total</b>	<u><b>2,441,401</b></u>	<u><b>5,871,775</b></u>

b. The restricted deposits are represented in deposits of an amount of USD (250,000) in the Arab Bank and an amount of USD (1,074,953) in the Investment Bank is restricted for the Palestine Capital Market Authority according to legal requirements.

c. Deposits with Al-Quds Bank and The National Bank are booked as cash insurance in exchange for debtor's current facilities

**14. Cash and Cash Equivalents**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Cash in hand and current balances in banks	3,702,243	4,283,437
<b>Total</b>	<u><b>3,702,243</b></u>	<u><b>4,283,437</b></u>

**15. Paid-in Capital**

The authorized and paid-in capital consists of 54,000,000 shares with a par value of USD 0.25 per share. The paid-in capital as of December 31, 2022, was USD 13,500,000.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

**16. Legal Reserve**

This item consists of 10% of the group's profits transferred annually to the legal reserve under the Companies Act and the Group's rules of procedure. The value of the legal reserve was USD 2,977,850, as at the end of 2022, after raising it by 10% of the value of the earnings due to Al-Ahlia insurance.

**17. Optional Reserve**

This item consists of the amount transferred from profits as per the BOD recommendations of the Shareholders and the approval of the General Assembly meeting. The value of the optional reserve as at December 31, 2022, was USD 2,900,000.

**18. Retained Earnings**

This item represents the profits total allocated balance for the results of the current year's business operations, in addition to the profits not distributed to shareholders and allocated from previous years.

**19. Provision for Employees' Indemnity**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Balance, Beginning of the Year	2,159,092	2,827,037
Additions during the Year	264,333	539,224
Used during the Year	(218,799)	(1,243,597)
Currency and translation differences	(154,076)	36,428
<b>Balance, End of the Year</b>	<b><u>2,050,550</u></b>	<b><u>2,159,092</u></b>

**20. Miscellaneous Provisions**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Provision of Palestinian Road Accidents Victims Compensation Fund	2,280,440	2,634,271
Provision for Employees' Leave	130,882	172,522
Taxes and Issues Provision	2,929,098	3,323,811
<b>Total</b>	<b><u>5,340,420</u></b>	<b><u>6,130,604</u></b>

**20-a Provision for Palestinian Road Accident Victims Compensation Fund (PRAVCF)**

a. This balance includes the share of the Palestinian Fund for Road Accident Victims from (ACT) insurance premiums for the period from 14/6/2007 to 31/12/2017 including the branches of the Company in Gaza at an amount of USD 1,975,526. The Company recognized these amounts even though the Fund management did not recognize the amount according to law for accidents in the Gaza Strip. The movement on the fund balance during the fiscal year was as follows:

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Balance, Beginning of the Year	2,634,271	2,342,365
Fund's share from premiums during the Year	1,119,707	1,234,606
Payments over during the Year	(1,162,207)	(1,088,604)
Change in translation differences	(311,331)	145,904
<b>Balance, End of the Year</b>	<b>2,280,440</b>	<b>2,634,271</b>

There are refunds with an amount of NIS 37,649,072 (USD 12,105,811) from the Palestinian Road Accident Victims Compensation, for the years prior to December 31, 2014, which were recorded in the financial statements as liabilities and assets insurance contracts as shown in disclosure and assets, and other receivable account disclosure. A provision was calculated at an amount of NIS 19,391,256 (USD 6,235,131) according to the company's legal counsel, the legal department, and the company management.

**20-b Taxes and Issues Provision**

This item consists of the following:

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Balance, Beginning of the Year	3,323,811	3,220,066
Translation differences	(394,713)	103,745
<b>Balance, End of the Year</b>	<b>2,929,098</b>	<b>3,323,811</b>

- Until the date of issuing the report, the company had not reached final settlements with the income and value-added tax departments for the period from 2005 to December 31, 2021. The income and value-added tax departments are claiming NIS 20,205,706 (equivalent to USD 6,497,012) for the aforementioned years. There are currently cases filed with the Income Tax Appeals Court under the income tax assessment notices dated 13 and 14/10/2021 for the years 2007 to 2013 and based on the lawyer's opinion that these cases are still pending before the court and no decision has been issued according to what was stated in his book on 30/12/2021, as the lawyer indicated in his letter on 7/2/2022 that the provisions set aside for the cases filed by the Income Tax Department against the company for the years from 2007 to 2013 are logical and reasonable, and that the settlement with the Income Tax Department and/or The judgments that will be issued by the court regarding these cases will be within the limits of the proposed allocations balance or less than them. The company's tax advisor also indicated that the company had paid all the advances required for income tax and value-added tax and that the tax authority's assessments had been duly objected to in his letter dated December 30, 2021. He also indicated in his letter on January 15, 2022, that his estimate of the provisions to be set aside for the years from 2007 to 2019 based on experience and knowledge is a total amount of USD 1,357,720. While the company set aside provisions higher than the estimate of the lawyer and tax advisor to the company, which represents 50% of the value of the Income Tax Department, bringing the total amount of USD 3,016,680 in order to meet the potential obligations of taxes and related issues. We were also not able, through the audit procedures, to ascertain the adequacy of the provision for income tax and value-added tax. Whereas, the actual amount of income tax and value-added tax owed by the company is finally decided upon after negotiations with the income tax and value-added tax departments.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

Based on the calculation of tax profit on the results of the 2022 business, it does not require the formation of tax expenses for the 2022 business.

**21. Accounts Payable**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Miscellaneous Accounts Payable	1,949,771	2,921,013
Due to lawyers	621,971	605,156
Due to suppliers and garage cars	2,851,393	2,458,900
Associated Receivables	1,205,659	1,437,972
<b>Total</b>	<b><u>6,628,794</u></b>	<b><u>7,423,041</u></b>

**22. Insurance and Reinsurance Companies**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Due to Insurance Companies	342,142	388,347
<b>Total</b>	<b><u>342,142</u></b>	<b><u>388,347</u></b>

**23. Other Account Payable**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
Accrued Expenses	1,755,403	2,140,507
Accruals to Medical Institutions	1,698,735	2,416,551
Accrued Taxes and Fees	1,839,689	1,903,343
Shareholders' receipts	801,362	3,633,735
Advance payments from customers	5,236,039	7,123,775
Miscellaneous Accounts Payable	924,524	959,255
<b>Total</b>	<b><u>12,255,752</u></b>	<b><u>18,177,166</u></b>

**24. Overdraft Facilities**

This item consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
National Bank – B	254,220	3,141,288
Al-Quds Bank – C	135,580	1,545,110
Palestinian Investment Bank – D	829,027	-
<b>Total</b>	<b><u>1,218,827</u></b>	<b><u>4,686,398</u></b>

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

B. During the year 2022, the company renewed the current debtor facilities with the National Bank with a ceiling of NIS 2,000,000 instead of NIS 10,000,000 as at the end of last year, by extinguishing the value of cash insurance in the current balance owed to become the value of cash insurance as at the end of the year USD 500,000 instead of USD 3,000,000.

C. During the year 2022, the company renewed the current debtor facilities with Al-Quds Bank with a ceiling of NIS 2,000,000 instead of NIS 5,000,000 as at the end of last year, by extinguishing the value of cash insurance in the current balance debited to become the value of cash insurance as at the end of the year 600,000 USD instead of 1,616,276 USD.

D. The company received a new credit facility in 2022 from the Palestinian Investment Bank with a current debtor of NIS 5,000,000 and a bank guarantee ceiling of USD 300,000.

### **25. Credit loans**

The value of the loans obtained by the subsidiary - the Union Construction and Investment Company, for use in the company's investments, it consists of:

	<u>2022</u>	<u>2021</u>
	<u>USD</u>	<u>USD</u>
National Bank	2,152,049	3,149,948
Bank of Palestine	1,085,056	1,573,373
Bank of Palestine	5,222,162	-
<b>Total</b>	<b><u>8,459,267</u></b>	<b><u>4,723,321</u></b>

### **26. Notes Payable (Post-dated Cheques)**

The balance of the payment papers (post-dated Cheques) represents 9,847,297, in the amount of USD 6,407,251 at Al Ahlia Group Insurance Company, and at the Union Construction and Investment Company in the amount of USD 3,440,046.

### **27. Business Segment Information**

**Company Segment Information:** For managerial purposes, the Company is organized into eight business segments, motor, general accidents, engineering accidents, fire and theft, marine. These segments are the basis on which the Company reports its segment information. Other operations of the Company comprise of investment and cash management for the Company's own account and its subsidiaries. There are no transactions between segments. The below schedule summarizes revenues, expenses and results of operations for the Company's reporting Segments.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

	Motor		Marine		Fire and theft		Engineering		General accidents		workers		Social Responsibility		Healthy		Investment Segment		Other		December 31, 2022		December 31, 2021			
	USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD	
<b>Insurance contract revenues</b>																										
Gross Subscribed Insurance Premiums	17,465,196		18,886		149,355		271,829		100,830		891,399		128,455		184,875		-		-		-		19,210,825		21,499,061	
Reinsurance Share of Gross Premium	(626,238)		(10,419)		(91,897)		(153,302)		(68,188)		(31,246)		(4,503)		-		-		-		-		(985,793)		(1,029,673)	
<b>Net Premiums</b>	<b>16,838,958</b>		<b>8,467</b>		<b>57,458</b>		<b>118,527</b>		<b>32,642</b>		<b>860,153</b>		<b>123,952</b>		<b>184,875</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>18,225,032</b>		<b>20,469,388</b>	
Change in Unexpired Risk reserve	3,375		63		(110)		(1,331)		(494)		69,438		(990)		493		-		-		-		70,444		(1,584,266)	
<b>Net Realized premiums</b>	<b>16,842,333</b>		<b>8,530</b>		<b>57,348</b>		<b>117,196</b>		<b>32,148</b>		<b>929,591</b>		<b>122,962</b>		<b>185,368</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>18,295,476</b>		<b>18,885,122</b>	
Insurance commissions received	-		1,421		15,714		27,322		3,242		-		-		-		-		-		-		47,699		45,134	
Gain from evaluation of Investment property	-		-		-		-		-		-		-		-		-		-		-		-		551,631	
Provision for Low investments	-		-		-		-		-		-		-		-		-		-		-		734		388	
Interest Loans & Deposits	-		-		-		-		-		-		-		-		-		-		-		158,003		473,785	
<b>Total Segment Revenues</b>	<b>16,842,333</b>		<b>9,951</b>		<b>73,062</b>		<b>144,518</b>		<b>35,390</b>		<b>929,591</b>		<b>122,962</b>		<b>185,368</b>		<b>-</b>		<b>158,737</b>		<b>-</b>		<b>18,501,912</b>		<b>19,956,060</b>	
Paid Claims	(13,008,808)		-		(284,231)		(221,615)		-		(721,709)		(46,242)		(169,337)		-		-		-		(14,451,942)		(19,426,705)	
Claims recovery	1,880,866		(10,202)		49,383		(63,947)		-		(75,963)		3,179		2,221		-		-		-		1,785,537		1,447,961	
Reinsurers' share of paid Claims	435,567		-		247,609		191,194		-		-		-		-		-		-		-		874,370		5,115,826	
Net change of provision for outstanding Claim	400,375		65		24,184		(61,399)		(4,746)		204,944		92,842		55,827		-		-		-		712,092		(838,078)	
Net commissions paid	(1,711,475)		(1,192)		(8,138)		(17,132)		(2,777)		(60,523)		(9,012)		-		-		-		-		(1,810,249)		(1,783,494)	
Direct Expenses for Insurance Segment	(2,612,294)		(2,825)		(22,339)		(40,658)		(15,081)		(133,328)		(19,213)		(27,652)		-		-		-		(2,873,390)		(2,987,894)	
Provision for Doubtful Accounts	-		-		-		-		-		-		-		-		(2,083,342)		-		-		(2,083,342)		(2,914,648)	
Currency Exchange Difference	-		-		-		-		-		-		-		-		1,530,716		-		-		1,530,716		(518,444)	
Net Deferred Tax	-		-		-		-		-		-		-		-		217,447		-		-		217,447		2,915,637	
General and Administrative Expenses Exhibit (27)	(2,389,835)		(2,584)		(20,437)		(37,196)		(13,797)		(121,974)		(17,577)		-		-		(1,026,134)		-		(3,629,534)		(4,958,180)	
Other revenue	-		-		-		-		-		-		-		-		9,889		4,262,986		-		4,272,875		2,619,394	
<b>Total Segment Expenses</b>	<b>(17,005,604)</b>		<b>(16,738)</b>		<b>(13,969)</b>		<b>(250,753)</b>		<b>(36401)</b>		<b>(908,553)</b>		<b>3,977</b>		<b>(138,941)</b>		<b>-</b>		<b>3,236,852</b>		<b>(325,290)</b>		<b>(15,455,420)</b>		<b>(21,328,625)</b>	
<b>Net Segment Income before Tax – Exhibit (B)</b>	<b>(163,271)</b>		<b>(6,787)</b>		<b>59,093</b>		<b>(106,235)</b>		<b>(1,011)</b>		<b>21,038</b>		<b>126,939</b>		<b>46,427</b>		<b>-</b>		<b>3,395,589</b>		<b>(325,290)</b>		<b>3,046,492</b>		<b>(2,757,946)</b>	

**- Geographic Segment Information:**

The Company operates only in the Palestinian Authority Territories; thus, no secondary segment information is presented.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

**28. General and Administrative expenses**

This item consists of:

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Salaries and Related expenses	1,865,627	2,785,679
Insurance	131,897	113,494
Advertisements and Promotion	81,947	60,280
Travel and Transportation	165,587	162,429
Rent	145,839	268,906
Professional Fees and Consultancies	412,086	429,183
Telephone and Postage	201,110	200,517
Hospitality	57,080	50,426
Maintenance	81,756	71,934
Water and Electricity	68,141	64,304
Fees and Licenses	168,783	140,677
Depreciation	205,004	235,258
Stationery and Printings	52,700	72,057
Bank interest and commission	274,067	394,261
Service expenses	157,098	88,539
Others	184,239	124,900
<b>Total General and Administrative Expenses</b>	<b>4,252,961</b>	<b>5,262,844</b>
<b>Capitalized expenditure</b>	<b>(623,427)</b>	<b>(304,664)</b>
<b>G &amp; A Expenses allocated to business Sectors-Note (27)</b>	<b>3,629,534</b>	<b>4,958,180</b>

**29. Earnings per Share after Taxes**

This item consists of:

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Net income due to the company's parent shareholders	1,177,347	(2,757,946)
Due to the rights of non-controlling interests	1,790,941	1,172,862
Weighted Average number of Subscribed Shares	54,000,000	54,000,000
<b>Due to the company's parent shareholders</b>	<b>0.022</b>	<b>(0.051)</b>

**30. Subsidiaries**

The following is a list of subsidiaries of Ahlia Insurance Group Ltd.'s subsidiaries as at December 31, 2021.

<b>Company Name</b>	<b>Country of Incorporation</b>	<b>Property Rights</b>	<b>Main activity</b>
Ahlia Real Estate and Investment Co. *	Palestine	100	Contracting & Construction Works
United for Marketing and Services Company *	Palestine	100	Marketing & Services
Arik Engineering and Consulting Company *	Palestine	100	Engineering, Consultancy & Design
Annona Land Real Estate Company **	Palestine	99	Real Estate Investment
Union Construction and Investment Company	Palestine	30	Real Estate Investments

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

\* The company's management has confirmed that work at the first three companies was ceased, and it has not engaged in any operating activity.

\*\* The Company did not operate, and its capital was not repaid.

### **31. Risk Management**

The company manages various risks through a comprehensive strategy that identifies risks and ways to address them and mitigates them through the Company's senior management, the Investment Committee of the company's Board of Directors, and the reporting systems, where the risks are reviewed and measures are taken to address and mitigate them to an acceptable level. In addition, all departments are responsible for identifying risks related to their activities, establishing appropriate controls, and monitoring the continuity of their effectiveness. The Company's Board of Directors is responsible for identifying and controlling risks.

#### **Risk measurement and reporting systems**

The risk monitoring and control procedure is done by monitoring the limits of each kind of risk that the company is exposed to. Information is collected from various departments in the group and analyzed to identify the potential risks that may arise from them. The information collected shall be presented and explained to the board of directors of the company. The company is exposed to insurance risk and financial risk, which are represented by market risk, credit risk, and liquidity risk. Below is a summary of the risks faced by the company and the methods used by management to mitigate these risks.

#### **Insurance Risks**

The main insurance risk that the company faces is the risk that the actual amounts paid for compensations and their timing differ from what is expected, this happens because of the repeated and increased claims and the future increase in the claim's liabilities; therefore, the essential aim of the company is to ensure the existence of sufficient reserves to cover such claims.

The company operates on the mitigation of such risks by diversifying its insurance contracts, and this diversification of risks is enhanced through careful selection of insurance strategies and their careful implementation, also by entering into reinsurance agreements.

The main insurance activities of the company are insurance against the risks of vehicles, marine transport, fire and theft, and workers, civil liability, general, engineering, and health insurance. These insurance contracts are short-term and are payable usually within one year from the date of the insured accident, and this helps reduce the insurance risk.

#### **Reinsurance risk**

The group, during its ordinary course of business, enters into agreements with other parties for reinsurance as is the case of other insurance companies in order to reduce the risk of losses that may result from paying high insurance compensation for claims. Reinsurance arrangements provide more diversity in business and enable the management to control possible losses resulting from high risks and provide additional growth opportunities. A large part of reinsurance arrangements is done according to the agreements and optional reinsurance contracts and surplus agreements and loss agreements.

## **Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

Insurance contracts transferred to reinsurers do not relieve the company of its obligations towards its insured persons, and the company shall remain liable to its policyholders for the reinsured portion to the extent that the reinsurance company fails to fulfill its obligations under the reinsurance contract.

To reduce the risk of exposure to large losses as a result of the insolvency of the insurance providers and from credit risks, the company evaluates the financial conditions of the reinsurers dealt with, as well as distributing reinsurance contracts to a group of reinsurers and the Company monitors the concentration of credit risk.

### **Regulatory Risk**

Regulatory Authorities are mainly concerned with the protection of the rights of policyholders and are reviewing these rights to ensure that the company manages its operations efficiently. At the same time, the authorities are concerned with ensuring that the Group maintains adequate liquidity to meet unexpected liabilities.

The company is also subject to regulatory requirements within the areas in which it operates.

These regulations do not require the approval and monitoring of the company's activities only, but also provide some restrictive provisions (e.g., capital adequacy) to minimize the risk of insolvency, which arises from unexpected liabilities.

### **Financial Risk**

The company follows financial policies to manage various risks within a specific strategy, and the company's management undertakes supervision and control for the risks and the optimal strategic allocation of each of the financial assets and financial liabilities. The risks include Market risk (interest rate risk, equity risk, and currency risk), liquidity risk, and credit risk.

### **Market Risk**

It is the risk that the fair value or cash flows of financial instruments will fluctuate as a result of changes in market prices, such as market prices, such as a change in interest prices, stock prices, and foreign exchange rates. Market risks arise as a result of the existence of open positions in the prices of interest, currencies, and equity investment.

These risks are monitored in accordance with policies and procedures defined by the company's management.

### **Interest Rate Risk**

The sensitivity of the consolidated statement of income is the effect of the possible assumed changes in interest rates on the company's profit for one year. It is calculated on financial assets and financial liabilities that carry a variable interest rate.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due. To mitigate this risk, management diversifies sources of finances, manages assets and liabilities and adapts its maturities, and maintains an adequate level of cash and cash equivalents.

## Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022

---

The Company monitors its liquidity needs monthly, and the management ensures the availability of sufficient funds to meet any obligations as they arise in less than three months.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all categories of financial assets held by the Company, the maximum exposure to credit risk to the Company is the book value as disclosed in the statement of financial position.

### **32. Capital management**

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in light of changes in economic and business conditions. No changes were made to the objectives, policies, or processes during the current year.

Capital includes paid-in share capital, retained earnings, reserves, currency translation variances, and non-controlling interests totaling USD 48,270,345 as of December 31, 2022, compared to USD 45,579,817 as of December 31, 2021.

The operations of the Company are also subject to regulatory requirements within Palestine. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (i.e., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

### **33. Commitments & Contingent Liabilities**

**33.1** The actuarial expert's report on mandatory insurance for motors, workers, and other general insurances for the work of Al-Ahlia Insurance Company has been received for the year 2022 and in a way that enhances the balances of technical reserves as of 31 December 2022. A copy of this report was also delivered to the Palestinian Capital Market Authority.

**33.2** Commitments and contingent liabilities are represented by outstanding commitments resulting from outstanding letters of guarantee and unpaid portions of investment in certain companies' shares.

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Letters of Guarantees	21,239	41,016
	21,239	41,016

### **34. Legal Cases**

The legal cases presented on the company are of normal courses of its business. Based on the Company's legal advisor, the outcome resulting from these lawsuits will not have a material impact on the Company's financial position and results of operations.

**Notes to the Consolidated Financial Statements for Ahlia Insurance Group Ltd - for the year ended as of December 31, 2022**

---

There are also cases before the Income Tax Appeals Tribunal, which are still pending before the Tribunal, and no decision has been rendered as stated in the company's legal counsel's letter.

**35. Comparative Figures**

Some of the corresponding figures for 31 December 2021 have been reclassified in order to conform to the financial statements as of December 31, 2022. Such reclassifications do not affect the prior year's Income or equity.