

Al-Mashreq Insurance
Public Limited Shareholding Company
Ramallah-Palestine

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

Talal Abu-Ghazaleh & Co. International
Certified Public Accountants



Al-Mashreq Insurance
Public Limited Shareholding Company
Ramallah - Palestine

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Independent Auditors' Report

To M/s the Shareholders
Al-Mashreq Insurance
Public Limited Shareholding Co.
Ramallah – Palestine

Opinion

We have audited the accompanying consolidated financial statements of **Al-Mashreq Insurance Public Limited Shareholding Co.**, Pages 5 to 46, which comprise of the consolidated statement of financial position as of December 31, 2022, consolidated statement of income and comprehensive income, consolidated statement of change in shareholder's equity and statement of consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with applicable corporate law in Palestine.

Basis for the Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Palestine, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matters

The consolidated financial statements of the company as of December 31, 2021 were audited by another auditor, who issued an unqualified opinion in his report on March 21, 2022.

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following matters to be described as Key Audit Matters in our report:

<u>The key audit matters</u>	
<u>Assets and liabilities of insurance contracts</u>	<u>The way the matter was addressed in our audit</u>
<p>As described in note (30) regarding the financial statements, the insurance contracts liabilities are USD 38,219,390 as of December 31, 2022 (USD 40,446,772 as of December 31, 2021) and insurance contracts assets are USD 6,346,950 as of December 31, 2022 (USD 5,796,038 as of December 31, 2021).</p> <p>Insurance assets and liabilities contracts are classified as key matters because they include risks, especially in which their estimation depends highly on the professional judgment of an actuarial expert and the management of the company. In addition to that, the insurance contract liabilities represent 68% of the company's current liabilities as of December 31, 2022, and represent 72% of the company's current liabilities as of December 31, 2021.</p>	<p>For the value of the outstanding claims reserve at an amount of USD 23,904,950 (reinsurance share represents USD 5,114,100) for the possibility of compensation, we have reviewed the detailed report of reserves which was prepared by the compensation department, in addition, we have tested a random sample of reserves and compensation paid to verify the attached documents, as well as we have conducted analytical procedures for the reserves to assure there were no significant variances. We have also reviewed the company's actuary studies as of December 31, 2022 and verified the recording of reserves based on it.</p> <p>For the value of unexpired risk reserves with an amount of USD 13,918,960 (reinsurance share represents USD 1,232,850) for the possibility of unearned premiums during the year, we have reviewed the detailed report of unexpired risk reserves, which is calculated automatically through the company's accounting software, in addition, we have tested a random sample from issued insurance policies to verify the accuracy of calculation and compared the amounts to the accounting software. We have also reviewed the company's actuary report to verify the recording of reserves based on the actuary report.</p>
<p><u>Investment properties</u></p> <p>As noted in disclosure No. (7) regarding the financial statements, investment properties are at an amount of USD 12,313,246 as of December 31, 2022 (USD 12,188,917 as of December 31, 2021). The investment properties represent investments in lands, leased floors, buildings, and apartments.</p> <p>Investment properties are classified as key matters since they contain the risk that the fair value assessment process for these investments depends heavily on the professional judgment based on expectations by a certified appraiser, and these investments account for 38% of the total non-current assets.</p>	<p>For the value of Investment properties (lands) and the fair value, we have reviewed the TABO registration certificate confirming the company's ownership of these lands, and we have reviewed the reports of specialized appraisers, certified by the Palestinian Capital Market Authority, and ensured that the company calculated the average of the specialized appraisers to evaluate these investment properties as the value of these lands, rented floors, buildings, and apartments were increased in 2022 as a result of its fair value valuation of USD 1,107,087 recorded in the income statement under gain from valuation of investment properties.</p>
<p><u>Provision for Expected Credit Losses</u></p> <p>As noted in disclosure No. (12) regarding the financial statements, provision for expected credit losses was at an amount of USD</p>	<p>For the value of provision for expected credit losses at an amount of USD 2,699,054 and for the possibility of non-collection of certain receivables, we have reviewed the account</p>

<p>2,699,054 as of December 31, 2022 (USD 2,791,896 as of December 31, 2021). The provision for expected credit losses were done by an accounting estimation, and is considered as key audit matters and consists of risks due to the reason that it was based on estimations, judgments and assumptions built on expectations.</p>	<p>receivables aging report and tested the company's accounting policy which has been applied in the calculation. We have also reviewed the outstanding legal suits, in order to ensure that the provision for these receivables have been calculated in accordance with the company's legal counsel's opinion. In addition, we have reviewed the reconciliations for some receivables in the subsequent period and ensured that appropriate provisions for them have been recorded.</p>
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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Palestine Capital Market Authority and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. 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 taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the 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 our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them on all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The Audit Manager on the audit resulting in this independent auditor’s report is the Audit Manager, Rami Zaghal.

Talal Abu – Ghazaleh & Co. International
License No. 201/2022



Rami Zaghal
Certified Accountant License No. (108/2019)

Ramallah – Palestine
28 February 2023



Al-Mashreq Insurance
Public Shareholding Company
Ramallah - Palestine

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

	Notes	December 31,	
		2022	2021
		USD	USD
<u>Assets</u>			
<u>Non-current assets</u>			
Property and equipment	6	4,799,122	5,562,255
Property investment	7	12,313,246	12,188,917
Right of use assets	8	401,845	136,513
Financial assets at fair value through other comprehensive income	9	4,377,942	4,736,246
Restricted cash	10	2,250,000	250,000
Deferred tax assets	11	1,044,119	1,069,966
Checks under collection due in more than one year		6,954,322	4,525,421
Total Non-Current Assets		32,140,596	28,469,318
<u>Current Assets</u>			
Accounts receivable, Net	12	12,094,864	14,768,508
Insurance and reinsurance companies' receivables	13	507,189	295,637
Reinsurance contracts assets	30	6,346,950	5,796,038
Financial investments through profit and loss	14	3,454,769	2,464,797
Property inventory	15	2,736,576	2,595,601
Other current assets	16	330,299	199,710
Checks under collection due within one year		20,301,201	17,087,751
Deposit at banks	17	598,789	2,960,259
Cash and cash equivalents	18	2,741,799	3,729,661
Total Current Assets		49,112,436	49,897,962
Total Assets		81,253,032	78,367,280
<u>Equity and liabilities</u>			
<u>Equity</u>			
Paid-in share capital	19	7,000,000	5,500,000
Statutory reserve	21	1,475,705	1,203,424
Cumulative change in fair value reserve	22	2,506,286	2,751,846
Financial statement currency translations variances		5,711	(952,772)
Retained earnings		5,396,467	3,271,494
Equity attributable to owners of the parent company		16,384,169	11,773,992
Non controllable interest		4,833,976	5,846,759
Total Equity		21,218,145	17,620,751
<u>Non- Current Liabilities</u>			
Provision for employees' indemnity	23	1,691,862	1,898,510
Long term Lease liability	24	275,456	124,154
Bank loan – Long term	25	1,937,167	2,223,819
Total Non-Current Liabilities		3,904,485	4,157,483
<u>Current liabilities</u>			
Accounts payable	26	7,721,918	7,616,603
Insurance and reinsurance companies' payable	27	1,630,185	1,605,746
Other current liabilities	28	2,016,876	1,861,888
Other provisions	29	2,587,113	2,429,416
Insurance contracts liabilities	30	38,219,390	40,466,772
Post-dated checks		2,438,566	1,533,018
Short term lease liability	24	133,738	17,568
Bank loan – short term	25	1,382,616	1,058,035
Total current liabilities		56,130,402	56,589,046
Total liabilities		60,034,887	60,746,529
Total Equity and Liabilities		81,253,032	78,367,280

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

Al-Mashreq Insurance
Public Shareholding Company
Ramallah - Palestine
Consolidated Statement of Income
for the Year Ended December 31, 2022 – Exhibit (B)

	Notes	December 31,	
		2022	2021
		USD	USD
<u>Insurance underwriting revenues</u>			
Gross written premiums	31	45,369,565	39,844,510
Change in unearned premiums reserve	31	(1,571,666)	(2,616,361)
Earned premiums revenue		43,797,899	37,228,149
Gross premiums ceded to reinsurers	31	(3,293,094)	(2,843,742)
Change in unearned premiums reserve	31	209,483	252,487
Net premiums ceded to reinsurers		(3,083,611)	(2,591,255)
Net premiums earned before commissions		40,714,288	34,636,894
Commissions received	31	338,282	287,202
Commissions paid	31	(1,594,925)	(1,448,167)
Net premiums earned after commissions		39,457,645	33,475,929
Investment income	33	463,953	367,253
Claims incurred			
Claims paid	31	(30,307,194)	(23,518,869)
Reinsurers' share of claims paid	31	804,209	438,756
Net claims paid		(29,502,985)	(23,080,113)
Change in outstanding claims reserve	31	(1,259,557)	(2,090,557)
Change in reinsurance claims	31	1,128,468	792,726
Net claims incurred		(29,634,074)	(24,377,944)
Net insurance underwriting profit before general and administrative expenses		10,287,524	9,465,238
Allocated general and administrative expenses related to insurance activities	31	(8,039,739)	(7,753,338)
Net insurance underwriting profit after general and administrative expenses		2,247,785	1,711,900
Unallocated revenue and expenses:			
Bank interest and charges		(56,367)	(44,039)
Currency exchange gains (losses)		571,303	(292,650)
Expected credit losses	12	(149,319)	(166,285)
Gain (Loss) from sale of property and equipment		10,851	(3,644)
General and administrative expenses not allocated to insurance activities	32	(1,628,887)	(1,467,933)
Other income not allocated to insurance activities	33	1,765,646	867,774
Amortization of right of use assets	8	(122,678)	(56,474)
Interest expense on lease liability		(8,605)	(9,967)
Gain from revaluation of investment properties		1,107,087	333,072
Gain from revaluation of investment through Income Statement		67,602	474,536
(Loss) from sale of investment property		--	(3,446)
Profit for the year before tax		3,804,418	1,342,844
Differed tax benefits	11	110,026	159,587
Value added tax and income tax		(675,257)	(433,921)
Profit for the year		3,239,187	1,068,510
Attributable to:			
Parent company Equity		2,722,807	875,911
Non-controlling interests		516,380	192,599
		3,239,187	1,068,510
Basic and diluted earnings per share	34	0.4345	0.1592

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

Al Mashreq Insurance
Public Shareholding Company
Ramallah - Palestine
Consolidated Statement of Comprehensive Income
for the Year Ended December 31, 2022 – Exhibit (C)

	December 31,	
	2022	2021
	USD	USD
Profit for the year after tax – Exhibit- B	3,239,187	1,068,510
Other comprehensive income:		
Change in fair value of financial assets through the comprehensive income statement	438,509	1,190,334
Financial statement currency translation variances	955,590	51,226
Total other comprehensive income items for the year	1,394,099	1,241,560
Total comprehensive income for the year	4,633,286	2,310,070
Attributable to:		
Parent company Equity	4,117,554	2,118,491
Non-controlling interests	515,732	191,579
	4,633,286	2,310,070

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

Al Mashreq Insurance
Public Shareholding Company
Ramallah - Palestine

Consolidated Statement of Change in Equity for the Year Ended December 31, 2022 – Exhibit (D)

	Paid-in Capital	Statutory reserve	Change in fair value reserve	Currency translations variances	Retained earnings	Parent company Equity	Non-Controlling-interests	Total Equity
	USD	USD	USD	USD	USD	USD	USD	USD
December 31, 2022								
Balance, beginning of year 2022	5,500,000	1,203,424	2,751,846	(952,772)	3,271,494	11,773,992	5,846,759	17,620,751
Adjustment on the beginning balance	--	--	48,584	2,893	578,646	630,123	(1,528,515)	(898,392)
Adjusted beginning balance	5,500,000	1,203,424	2,800,430	(949,879)	3,850,140	12,404,115	4,318,244	16,722,359
Profit for the year	--	--	--	--	2,722,807	2,722,807	516,380	3,239,187
Transferred from fair value to retained earnings- Note 6	--	--	(733,301)	--	733,301	--	--	--
Other comprehensive income	--	--	439,157	955,590	--	1,394,747	(648)	1,394,099
Total comprehensive income for the year	--	--	(294,144)	955,590	3,456,108	4,117,554	515,732	4,633,286
Increase in capital	1,500,000	--	--	--	(1,500,000)	--	--	--
Cash dividends	--	--	--	--	(137,500)	(137,500)	--	(137,500)
Transferred to reserves	--	272,281	--	--	(272,281)	--	--	--
Balance, end of year 2022	7,000,000	1,475,705	2,506,286	5,711	5,396,467	16,384,169	4,833,976	21,218,145
December 31, 2021								
Balance, beginning of year 2021	5,200,000	1,115,833	1,561,512	(1,005,018)	2,913,174	9,785,501	5,815,868	15,601,369
Profit for the year	--	--	--	--	875,911	875,911	192,599	1,068,510
Other comprehensive income	--	--	1,190,334	52,246	--	1,242,580	(1,020)	1,241,560
Total comprehensive income for the year	--	--	1,190,334	52,246	875,911	2,118,491	191,579	2,310,070
Cash dividends to shareholders	--	--	--	--	(130,000)	(130,000)	--	(130,000)
Increase in capital	300,000	--	--	--	(300,000)	--	--	--
Change in non-controlling interest	--	--	--	--	--	--	(160,688)	(160,688)
Transferred to statutory reserves	--	87,591	--	--	(87,591)	--	--	--
Balance, end of year 2021	5,500,000	1,203,424	2,751,846	(952,772)	3,271,494	11,773,992	5,846,759	17,620,751

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

Al-Mashreq Insurance
Public Shareholding Company
Ramallah - Palestine
Consolidated Statement of Cash Flows for the Year Ended
December 31, 2022 – Exhibit (E)

	Note	December 31,	
		2022	2021
		USD	USD
Cash flow from Operating activities			
Profit for the year before tax – Exhibit- B		3,804,418	1,342,844
Adjustments:			
Depreciation of property and equipment	6	328,922	300,902
Amortization of right of use assets	8	122,678	56,474
Provision of Expected credit losses	12	191,958	166,285
Foreign currency differences		408,127	137,823
(Gain) loss from sale of investment at fair value through profit and loss		(3,912)	4,939
(Gain) from revaluation of the investment through profit and loss		(67,602)	(474,536)
(Gain) from revaluation of the investment properties		(1,107,087)	(333,072)
Loss from sale of investment properties		--	3,446
(Gains) Losses from disposal of property and Equipment		(10,851)	3,644
Provision for employees' indemnity	23	235,091	544,235
Previous years adjustments		(898,392)	--
Cash flows from operating activities before Change in operating assets and liabilities		3,003,350	1,752,984
Change in operating assets and liabilities:			
(Increase) in check under collection		(5,642,351)	(6,912,420)
Decrease (Increase) in account receivables		2,820,486	(1,012,559)
(Increase) Decrease in the insurance and Reinsurance companies' receivables		(211,552)	102,401
(Increase) in property inventory		(140,975)	(1,227,621)
Decrease in investment property		1,202,708	2,310,079
(Increase) in other current assets		(130,589)	(19,797)
Decrease in account payable		105,315	989,425
Decrease in the insurance and Reinsurance companies payable		24,439	401,758
Decrease in other current liabilities		154,991	97,154
(Increase) in other provision		(83,639)	(374,770)
Decrease increase in reinsurance contracts		(550,912)	(1,246,459)
(Decrease) increase in reinsurance contracts liabilities		(2,247,382)	6,103,943
Net cash flows from operating activities before income tax and employees' indemnity paid		(1,696,111)	964,118
Employees' indemnity paid		(293,993)	(147,274)
Taxes paid	23	(102,905)	(303,461)
Net cash flows provided from (used in) operating activities		(2,093,009)	513,383
Cash flows from Investing activities			
Proceeds from Sale of property and equipment		204,028	44,116
Proceeds from Sale of financial assets		92,156	14,014
Purchase of financial assets		(827,643)	(1,436,721)
Purchase of property and equipment	6	(782,968)	(637,714)
Changes in non-controlling interest		(27,958)	(160,688)
Net cash flows provided from (used in) investing activities		(1,342,385)	(2,176,993)
Financing activities			
Increase in bank loans		466,129	505,063
Cash dividends paid to shareholders		(137,500)	(130,000)
Lease liabilities paid		(136,753)	(56,297)
(Increase) Decrease in deposits at bank due within 3 months		637,586	(883,163)
Increase in postdated checks payable		905,548	420,883
(Increase) in restricted cash		(2,000,000)	--
Net cash flows used in financing activities		(264,990)	(143,514)
Net increase (decrease) in cash and cash equivalents		(3,700,384)	(1,807,124)
Financial statement currency translation variances		955,590	52,246
Cash and cash equivalents, beginning of year		5,769,447	7,524,325
Cash and cash equivalents, end of year		3,024,653	5,769,447

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

Al-Mashreq Insurance
Public Shareholding Company
Ramallah - Palestine
Notes to the Consolidated Financial Statements

1. Background

Al-Mashreq Insurance Public Shareholding Company (the Company), was established in 1992 Pursuant to the provisions of Corporation Law No. (12) of the year 1964, with registration number (562600361), controller of Ramallah City.

The Company is involved in the business of insurance, re-insurance, and all kinds of warranty work and compensations through its operating branches and offices in Palestine totaling (23) as of December 31, 2021 and 2022, respectively.

The Company's total number of employees is (208) and (209) as at December 31, 2022 and 2021, respectively. Total number of insurance agents and producers were (26) as of December 31, 2022 and (25) as of December 31, 2021, respectively.

Based on the decision of the General Assembly in its extraordinary meeting on April 5, 2022, it was approved to raise the company's capital by 1,500,000 USD through the distribution of free shares, so that the company's capital became 7,000,000 USD, distributed over 7,000,000 shares, at a rate of one dollar for each share, compared to 5,500,000 USD as On December 31, 2021.

The company's consolidated financial statements for the year ending on December 31, 2022, were approved by the executive committee emanating from the company's board of directors in its session No. (1/2023) held on February 22, 2023.

The consolidated financial statements of the Company as of December 31, 2022 were approved from the Palestine Capital Market Authority –Insurance General administrative on 30 March 2023 as per their letter number CMA/DIWAN 23287/2023.

2. Accounting policies

2.1 Consolidated financial statements

The consolidated financial statements comprise of the financial statements of Al-Mashreq Insurance Company (the Company) and its subsidiaries as of December 31, 2022 and 2021. The financial statements of the Company and its subsidiaries have been consolidated on a line-by-line basis. All intra-company balances, transactions, income and expenses and profits and losses, including dividends resulting from intra-company transactions, are eliminated in full. The Company's direct and indirect ownership in its subsidiaries' subscribed capital was as follows:

Company name	Record number	Ownership	Authorized Capital (USD)	Paid Capital (USD)	Main activity
Aqariya Trading Investment Company *	562600734	%62.65	7,757,405	7,757,405	Real estate investments and trading
PAL Med Service Company	562563973	%99	40,000	40,000	Management of medical expenses and insurance services

* During the year 2022, there was an increase in the percentage of ownership in Aqariya Trading Investment Company, whereby Al-Mashreq Company purchased an additional 35,514 shares at a cost of USD 27,958 with an average price of USD 0.78 for a total number of shares of 4,859,663 as of December 31, 2022, which led to an increase in the total ownership percentage from 62.18% in the year 2021 to 62.65% in the year 2022.

2.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with the requirements of the applicable local laws and Insurance Law No. (20) of 2005 and the instructions issued by the Capital Market Authority / General Administration of Insurance.

The consolidated financial statements have been prepared under the historical cost basis, except for the financial assets which were prepared through other comprehensive income, financial assets through profit or loss and investment properties that are measured at revaluation or fair value at the date of the consolidated financial statements.

The financial statements are presented in USD.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for assets and liabilities matched at the measurement date.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The company presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within 12 months after the consolidated financial position (current) and more than 12 months after the consolidated financial position (non-current), as this has been presented in the notes.

2.3 Basis of consolidation of financial statements

The consolidated financial statements comprise of the financial statements of the Parent Company and its subsidiaries as of December 31, 2022.

Control is achieved when the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

In general, the company believes that it has control over the company invested in it when it holds a majority in voting rights. When the company's ownership interest in the invested company's capital is less than the majority, the company takes into account all the facts and circumstances to assess whether control of the invested company has been achieved, including:

- Contractual agreements with other shareholders of the company invested in.
- Rights resulting from other contractual agreements.
- The company's voting rights and potential voting rights.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra-company balances, unrealized profits or losses and cash dividends relating to transactions between subsidiaries are eliminated in full.

If the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary (including goodwill), derecognizes the carrying amount of any non-controlling interests and recognizes any surplus or deficit in the consolidated income statement, and recognizes the fair value of any investment retained.

3. Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2021.

IFRS (16) "Leases"

IFRS (16) supersedes IAS (17) "Leases", IFRIC (4) "Determining whether an Arrangement contains a Lease", SIC-(15) "Operating Leases-Incentives" and SIC-(27) "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS (16) is substantially unchanged from IAS (17). Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS (17). Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS (16) using the modified retrospective approach with the date of initial application of 1 January 2020. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS (17) and IFRIC (4) at the date of initial application, following the effect of the implementation of IFRS 16.

• **Leases previously accounted for as operating leases**

The Company recognized right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of an incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients, where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- The Company used subsequent information when determining the lease term for contracts that contain options to extend or terminate the lease.

Set out below are the new accounting policies of the Company upon adoption of IFRS (16).

Right-of-use assets

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

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

Lease Liabilities

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

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased

to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Discount rate used for the purposes of deducting rental payments was 6% while the average time period for future lease payments is 5 years.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in the business strategy).

The Company included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases are considered to have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

IFRIC Interpretation (23) - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12), nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

No material impact has resulted from the application of these amendments to the Company's consolidated financial statements.

The International Accounting Standards Board (IASB) issued some standards, amendments and interpretations effective:

The following new and amended International Financial Reporting Standards, which became effective for financial periods beginning on January 1, 2022, or after that date, were followed in the preparation of the company's financial statements and did not have a material impact on the amounts and disclosures contained in the financial statements in the current year as follows:

Standard or interpretation number	Discription	Effective date
Amendments to Accounting Standard No. (16) Property and equipment	The amendment to prevent the company from reducing the cost of property, plant and equipment by the amounts received from the sale of the items produced while the company is preparing the asset for its intended use. Hence, the entity recognizes the proceeds from the sale of those items and the costs of producing such items in the income statement.	January 1, 2022
A reference to the conceptual framework Amendments to the International Financial Reporting Standard No. (3) Business combination	A minor amendment to IFRS No. (3) Related to updating references to the conceptual framework for financial reporting by adding an exception to recognizing liabilities and contingent liabilities within the scope of IAS No. (37) - Provisions, Contingent Liabilities and Contingent Assets. The amendment emphasized that potential assets should not be recognized on the acquisition date.	January 1, 2022
Burdened contracts-cost of contract execution amendments to international accounting standard No. (37) allocations, potential liabilities and potential assets	The amendments specify that the “cost of performing” a contract includes “costs directly related to the contract”. Costs that are directly related to a contract can be either additional costs of fulfilling that contract (e.g., direct labor and materials) or allocating other costs that are directly related to the execution of contracts (e.g., allocating depreciation expense to an item of property, plant and equipment used in contract execution).	January 1, 2022
Annual improvements to the International Financial Reporting Standards for the years 2018 to 2020.	Annual improvements to IFRS (9), (16) and (1), and international accounting standard (41).	January 1, 2022

The International Accounting Standards Board (IASB) issued some standards, amendments and interpretations but are not yet effective:

The company did not adopt any of the new and revised International Financial Reporting Standards and Interpretations

Standard or interpretation number	Discription	Effective date
International Financial Reporting Standard No. 17 Insurance contract	<p>International Financial Reporting Standard No. (17) was issued in May 2017 to replace International Financial Reporting Standard No. (4) Insurance Contracts.</p> <p>The current measurement model requires, when estimates exist, that they are re-measured in each reporting period.</p> <p>Contracts are measured using the following bases:</p> <ul style="list-style-type: none"> • Discounted cash flows are probability-weighted, • Express modification of risk, and • Contractual service margin represents the unearned profit on a contract that is recognized as revenue over the period of coverage. <p>IFRS 17 requires insurance liabilities to be measured at the present value of satisfaction and provides a standard measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts.</p>	January 1, 2023 (postponed from January 2021)
Disclosure of accounting policies Amendments to International Accounting Standard No. (1) And Statement of Practice No. (2).	The amendments to IAS 1 require entities to disclose material accounting policies rather than their significant accounting policies. Further amendments explain how an entity can determine a material accounting policy. Examples are added when the accounting policy may be material. To support the amendment, the IASB has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2. Once an entity applies the amendments to IAS 1, it is allowed to also apply the amendments to the Statement of Practices of International Financial Reporting Standards (2). Amendments will be applied prospectively.	January 1, 2023
Define accounting estimates Amendments to International Accounting Standard No. (8).	<p>Amendment to International Accounting Standard No. (8) Accounting Policies, Changes in Accounting Estimates and Error.</p> <p>The amendments replace the definition of change in accounting estimate with the definition of accounting estimate. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in</p>	January 1, 2023

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	the financial statements to be measured in a manner that involves measurement uncertainty. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not a correction of an error.	
Amendments to International Accounting Standard No. (12) Income Taxes. Deferred tax relating to assets and liabilities arising from a single transaction	The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. It will normally apply to transactions such as tenant leases and termination obligations and affected businesses will require the recognition of additional deferred tax assets and liabilities. This means that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 - Comparative Figures (Amendment to IFRS 17)	The amendment allows entities that apply for the first time both Standard 17 and Standard 9 at the same time to present comparative figures for financial assets as if the classification and measurement requirements in Standard 9 had been applied to those financial assets previously.	January 1, 2023
Classification of liabilities as current and non-current modifications to International Accounting Standard No. (1).	The amendments to the presentation of the financial statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. This classification is not affected by the entity's expectations or events subsequent to the date of the financial report. Amendments to the classification of liabilities as current or non-current (amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability, income or expense, or information that entities disclose about those items.	January 1, 2024 (postponed from January 2022)
Amendment to International Financial Reporting Standard No(16) . Lease contracts. Rental obligations in the process of selling and renting back	Amendment clarifying how the seller-tenant measures post-sale and leaseback transactions.	January 1, 2024
Amendments to International Financial Reporting Standard No. (10) And International Accounting Standard No. (28) - Sale or Contribution of Assets between an Investor and His Associate or Joint Venture	The amendments address the inconsistency between IFRS (10) and IAS (28) in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.	Postponing the effective date indefinitely, with the possibility of early application

The company's management does not expect that these standards will have a material impact on the financial statements when applied in future periods.

4. Use of estimates

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

Management believes that estimates are reasonable and are as follows:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated 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.

Impairment of investments

The Company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exist.

The company's management conducts a periodic review of the financial assets, which are shown at cost, to estimate any decline in their value, and this decline is included in the consolidated income statement for the financial year.

Impairment of accounts receivable

The Company makes an estimate of collectible accounts receivable when collection of the full amount is no longer probable. Estimation for significant amounts is made on an individual basis. As for non-significant amounts that are overdue for a long time, they are estimated collectively, and a provision is calculated based on the elapsed time period.

Useful lives of tangible assets

The Company's management reviews, on a regular basis, 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 consolidated income statement.

Investment properties

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

Provision of unpaid claims (outstanding claims)

Considerable judgment by management is required in the estimation of amounts due to insurance contract holders and third parties arising from claims made under insurance

contracts.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjustors normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a periodic basis.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims Incurred But Not yet Reported (IBNR) at the statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Unearned premium (unexpired risk reserve)

The year-end unexpired risk reserve for insurance branches is calculated in proportion to the number of days remaining of each policy after the end of the year.

Taxes provision

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

5. Summary of significant accounting policies

Insurance contracts

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. Unearned premiums as of the consolidated financial statements date are classified in insurance contracts liabilities as unearned premium reserves.

Claims and settlement costs are recorded to the consolidated income statement based on the expected compensation to be paid to policy holders and third parties.

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 in 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 consolidated financial statement date, or when an indication of impairment arises during the year. The decline occurs when an 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 towards policyholders.

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

Insurance claims

Insurance claims consist of claims paid and change in outstanding claims provision.

Claims comprise of 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 of provision for claims Incurred But Not Reported (IBNR) and it is calculated based on best data available as of the consolidated financial statements date.

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 on the basis 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 consolidated 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.

Provisions are calculated for claims Incurred But Not Reported (IBNR) as at the date of the consolidated financial statements on the basis of 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 past experience and its estimates to pay accidents compensations that occurred but were not reported as at the date of the consolidated balance sheet.

Insurance liabilities 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 consolidated income statement.

Revenue recognition

Interest income

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.

Dividends income

Gains and losses are recognized upon completion of the trading process, and the right to receive dividends has risen.

General and administrative expenses

Commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts are amortized in the consolidated income statement when incurred. All other costs are recognized when incurred based on the accrual basis of accounting. The general and administrative expenses for the year are distributed among the various branches of insurance as follows:

- A. 10% of it is transferred directly to the consolidated income statement.
- B. 90% of it is charged to insurance branches in the ratio of the basic premiums for each branch to the total basic premiums.

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. The normal buying and selling of financial assets are those in which the financial assets are transferred within the specified period in accordance with the laws or in accordance with what is customary in the market

regulations. Financial assets are recorded upon purchase at fair value, and direct acquisition expenses are added, with the exception of financial assets at fair value through income statement, which are initially recorded at fair value. Subsequently, all financial assets are carried at amortized cost or fair value.

Financial assets at amortized cost and the effective interest rate approach:

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

- The financial assets held within a business model with the objective 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.

Financial instruments for which both conditions apply are initially measured at fair value plus acquisition expenses (except in the case that the company chooses to classify these assets through the consolidated income statement as shown below), and they are subsequently measured at amortized cost using the effective interest rate method after deducting impairment. Interest income is recognized using the effective interest rate method. The company reclassifies financial instruments from amortized cost to financial assets at fair value through the consolidated statement of income if the objective of the business model for initial recognition changes and therefore the amortized cost method is not appropriate. The effective interest rate is the interest rate that is used to discount future cash flows on the life of the financial instrument, or a shorter period in certain cases, to equal the carrying amount at the date of initial recognition.

Upon initial recognition, the company can classify a financial instrument that has met the above-mentioned amortized cost conditions as a financial asset at fair value through the consolidated statement of income if this leads to the elimination or significant mitigation of the accounting mismatch. The company cannot subsequently withdraw from this classification.

Financial assets at FVTPL

Debt instrument financial assets that do not meet the amortized cost criteria or that meet the criteria, but the Company has chosen to designate as at Fair Value through the Income Statement (FVTPL) at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as at FVTPL.

Investments in equity instruments are classified as at FVTPL, except an investment that is not held for trading as at fair value through other comprehensive income (FVOCI) at initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in the consolidated income statement.

Dividends income on investments in equity instruments at FVTPL is recognized in the consolidated income statement when the Company's right to receive the dividends is established.

Financial assets at FVOCI

Upon initial recognition, the company classifies equity instruments at fair value through other comprehensive income. This classification is made on a tool-by-tool basis and cannot be reversed, nor can a company classify property tools held in fair value through the income statement as financial instruments in fair value through other a comprehensive income item.

Equity instruments are measured by other comprehensive income items in principle at fair value plus acquisition expenses. These assets are then measured at fair value and the gains or losses resulting from the change in fair value are recorded by other comprehensive income items in the reserve account for the accumulated change in fair value. In disposing of these assets, profits or losses previously recorded in the reserve account for the accumulated change

in fair value are not reclassified to the consolidated income statement but are directly credited to the rotating profit account.

Returns on equity distributions from investment in equity instruments from invested companies are credited when a right to receive them arises in the consolidated income statement, unless such returns are considered as a recovery of part of the value of the investment.

Impairment of financial assets recorded at amortized cost

On the date of the financial statements, assets are assessed at the amortized cost, including accounts receivable, to determine whether there is evidence of an Impairment. Assets are considered to be impaired when there is objective evidence, as a result of an event or events that occurred after the initial recognition of assets, and that affects anticipated future cash flows.

Exclusion of financial assets

Financial assets are eliminated when the contractual right to benefit from the cash flows of these assets expires, or when the financial assets and all risks and rewards of ownership are transferred to another entity. In the event that the company does not transfer or retain all the basic risks and returns and maintains control over the transferred assets, the company's remaining share in the assets is recorded and the liabilities are recorded at the amount expected to be paid. If the company retains all the risks and rewards of ownership of the transferred financial assets, the company continues to record the financial assets.

Fair value of financial instruments

The closing prices on the date of the consolidated financial statements of financial instruments in the active markets represent the fair value of the financial instruments that have market prices.

In case that published prices are not available, or there is no active trading for some financial instruments, or the market is inactive, the fair value is estimated in a number of ways, including:

- Comparing it to the current market value of a financial instrument that is substantially the same.
- Analyzing future cash flows and discounting the expected cash flows by a ratio used in a similar financial instrument.
- Valuation methods aim to obtain a fair value that reflects market expectations and takes into account market factors and any expected risks or benefits when evaluating the value of the financial instruments. In case that there are financial instruments whose fair value cannot be reliably measured, they are presented at cost after deducting any impairment in their value.
- The fair value for the items subject to interest is estimated based on the expected cash flows deducted by using the same interest rates for items having the same terms and risk characteristics.

Impairment in the value of financial assets

The company reviews the values recorded in the records of the financial assets at the date of the consolidated financial statements to determine whether there are indicators indicating a decline in their value individually or in the form of a group, and in the case of such indicators, the recoverable value is estimated in order to determine the impairment loss.

The impairment value is determined as follows:

- Impairment in the financial instrument at amortization cost: Based on the estimate of cash flows discounted at the original actual interest rate.
- Impairment in the financial instrument at fair value: The decrease represents the difference between the original cost and the fair value, after deducting any previously

- recognized impairment loss in the income statement.
- Impairment in the financial instrument at cost: Based on the present value of expected cash flows, discounted by the current market price of proceeds on similar financial assets.

The impairment in value is recorded in the consolidated income statement and any savings in the subsequent period as a result of the previous decline in financial assets are recorded in the income list, except for shares of companies available for sale.

Investment properties

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognizing the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included as consolidated profit or loss in the period in which the property is derecognized.

Property and equipment

Property and equipment (excluding land and buildings) are shown at cost after deducting accumulated depreciation and any accumulated impairment losses in the book value. Property and equipment are depreciated when they are ready for use using the straight-line method according to the expected useful life as follows:

Furniture and Fixtures	6%-20%
Computers Equipment	15%
Motor Vehicles	20%
Decorations and Improvements	6%-10%
Buildings	2%

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 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.

The company has adopted the fair value principle in recording lands and real estate and is recognized at fair value upon acquisition. They are re-valued at fair value at the date of the consolidated financial statements based on the average estimate of the reports of accredited evaluators, and the differences in fair value are recorded in calculating the cumulative change in the fair value of lands within equity.

Insurance receivables

Insurance receivables are recognized when due and measured on an initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. In the year in which impairment arises, bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the consolidated 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, net of restricted bank balances and bank deposits with maturity of more than three months.

Accounts payable and accrual

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Taxes provision

The company makes an income tax deduction in accordance with the Income Tax Act and International Accounting Standard No. 12 which requires the recognition of temporary time differences as on the date of the financial statements as deferred tax assets or liabilities.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary time differences between the values of assets or those required in the financial statements and the value on which the tax profit is calculated. Deferred taxes are calculated according to the tax ratios expected to be applied when the tax obligation is settled or deferred tax assets are achieved.

Incurred Tax expenses are calculated on the basis of taxable profits. Taxable profits differ from profits declared on financial statements because declared profits include non-taxable income or non-deductible expenses in the fiscal year but in subsequent years, or tax-acceptable accumulated losses or items not subject to or accepted for tax purposes.

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

Provision for Palestinian Road Accident Victims Compensation Fund and Provision for Palestinian Capital Market Authority

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 Fees System No. (4) for the year 2007 issued under the provisions of the Capital Market Authority Law No. (1) for the year 2004 and instructions and guidelines of the General Administration of Insurance.

Provision for end of service indemnity

The allocation for the end of service compensation for employees is done in accordance with the labor law in effect in Palestine and on the basis of allocating one-third of the total salary for each year to the employee who has spent five years or less in the company, and two-thirds of the total salary for each year for the employee who has spent more than five years and less than ten years in the company, and a gross salary for each year for an employee who has spent more than ten years in the company.

The allocation for end of service compensation for employees in previous years was done on the basis of allocating one month's salary for each year of service.

Saving Fund

The company contributes to the savings fund by 5% of the basic salary, and the employees contribute the same percentage, and thus the company's obligations to this fund are limited to the percentage of the contribution mentioned above, and that contribution is included in the list of Income, as contributions are transferred on a monthly basis to the Savings Fund Management Committee.

Statutory reserve

According to the Corporate Law No. (12) for the year 1964, a deduction of 10% of the net profit is transferred to the statutory reserve account and will continue until the total reserve equals 25% of the paid-in capital. This percentage may be increased by a decision of the Board of Directors until the reserve equals the paid-in share capital, and then it must end. The statutory reserve is not available for distribution to shareholders.

Voluntary reserve

Voluntary reserve represents accumulation of profit transferred at a percentage of 10% of annual net profits. The reserve may be used for such purposes as deemed appropriate by the Board of Directors and the General Assembly, and it is available for distribution in full or in parts to shareholders.

Segments Information

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

A geographic segment relates to goods or services within an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

Foreign currencies

The main currency in preparing the financial statements is the new shekel for each entity separately. Transactions in foreign currencies recorded on the basis of the exchange rates on the date of those transactions.

On the date of the financial statements, the balances of financial assets and financial liabilities are converted into the new shekel at the average foreign currency rates prevailing on that date. Non-monetary assets and liabilities in foreign currencies that are shown at their fair value are translated into New Shekels on the basis of the prevailing exchange rates on the date the fair value was determined.

Gains or losses arising from exchange differences from converting foreign currencies into the new shekel are recognized in the income statement, except for:

Currency differences related to assets under construction for future use benefits, which are included in the cost of these assets as interest rate differences adjustments as a result of borrowing in foreign currencies. Currency differences resulting from entering into transactions to hedge some risks of foreign currencies, as well as currency differences

resulting from debit or credit financial items resulting from foreign operations, which are not likely and there is no planning to pay them, and they form part of the net investment in foreign currencies, which are recognized within the foreign currency reserves and are recognized in the income statement and upon excluding the net investment value.

For purposes of preparing the financial statements, then stated the assets and liabilities of the company in USD based on the exchange rates on the date of the financial statements. Income and expenses are retranslated on the basis of the average exchange rates during the year, and the exchange rate differences resulting from the conversion of these items into US dollars are included in the income statement.

	31 December		%
	2022	2021	
	USD	USD	
NIS	0.2824	0.3220	(0.123)
JOD	1.410	1.410	(0.00)

Basic and diluted earnings per share of the current year profit

The basic earnings per share is 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 is 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 common shares.

6. Property and Equipment

This item consists of:

	Furniture USD	Equipment and tools USD	Computers Buildings USD	Air conditioning and electricity network USD	Motor vehicles USD	Decorations and improvements USD	Building and real- estate USD	Total USD
<u>Cost and Evaluation</u>								
Balance, as of January 1, 2022	831,897	1,122,477	563,981	324,973	800,489	1,287,892	4,772,568	9,704,277
Additions	86,988	124,785	72,879	--	120,514	169,920	207,882	782,968
Disposals	(3,964)	(24,976)	(11,299)	--	(36,723)	--	--	(76,962)
Reclassification to property investment – Note (7)	--	--	--	--	--	--	(1,327,037)	(1,327,037)
Translation Differences	(402,107)	(255,535)	(355,404)	(136,654)	(194,275)	(140,827)	499,459	(985,343)
Balance, as of December 31, 2022	512,814	966,751	270,157	188,319	690,005	1,316,985	4,152,872	8,097,903
<u>Accumulated Depreciation</u>								
Balance, as of January 1, 2022	520,081	684,367	533,563	299,564	420,189	750,584	933,674	4,142,022
Depreciation for the year	21,162	28,491	20,563	8,396	80,567	100,974	68,769	328,922
Disposals	(1,525)	(474)	--	--	(23,021)	--	--	(25,020)
Reclassification	(352,183)	1,255	(401,383)	(120,355)	(107,312)	(188,540)	21,375	(1,147,143)
Balance, as of December 31, 2022	187,535	713,639	152,743	187,605	370,423	663,018	1,023,818	3,298,781
Net book value								
As of December 31, 2022	325,279	253,112	117,413	714	319,582	653,967	3,129,054	4,799,122

Property and equipment (Cont.)

This item consists of:

	Furniture		Equipment and tools.		Computers and Buildings		Air conditioning and electricity network.		Motor vehicles		Decorations and improvements		Building and real-estate		Total		
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	
<u>Cost and evaluation</u>																	
Balance, as of January 1, 2021	873,730	1,107,244	897,659	320,964	704,796	1,242,106	4,599,983	9,746,482									
Additions	133,215	105,140	6,905	4,009	167,464	48,396	172,585	637,714									
Disposals	(175,048)	(89,907)	(340,583)	-	(71,771)	(2,610)	-	(679,919)									
Balance, as of December 31, 2021	831,897	1,122,477	563,981	324,973	800,489	1,287,892	4,772,568	9,704,277									
<u>Accumulated depreciation</u>																	
Balance, as of January 1, 2021	565,942	826,310	868,645	310,790	366,854	668,699	866,039	4,473,279									
Depreciation for the year	20,418	27,265	5,499	6,450	91,750	81,885	67,635	300,902									
Disposals	(66,279)	(169,208)	(340,581)	(17,676)	(38,415)	-	-	(632,159)									
Balance, as of December 31, 2021	520,081	684,367	533,563	299,564	420,189	750,584	933,674	4,142,022									
Net book value																	
As of December 31, 2021	311,816	438,110	30,418	25,409	380,300	537,308	3,838,894	5,562,255									

- During the current year, the company's management evaluated buildings and real estate at the fair value of Al-Mashreq Insurance Company, which resulted in a net evaluation difference of USD 77,287, which was recorded through the comprehensive income statement.

7. Property Investment

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Lands in Palestine - C	8,799,302	10,029,841
Lands in Jordan - D	1,554,492	1,574,928
Buildings and Real Estate	632,415	584,148
The investment part in the main company building - e	1,327,037	--
Balance, end of year	12,313,246	12,188,917

- A. Investments in plots of land of the parent company have been classified as investment property held for the purpose of benefiting from an increase in their capital value, with the exception of the property value of the company's headquarters that are used for the company's administrative purposes.
- B. The Property Investment that had a change in their market value as of December 31, 2022 were re-evaluated according to the market price by appraiser accredited by the Palestinian Capital Market Authority and independent of the company, in comparison with the prices of plots of land similar to actual sales deals that took place during the period, and the difference was in the market value of the book value amounted to USD 1,107,087, which was credited to the revaluation of investment properties account within the income statement.
- C. Property Investments in Palestine include land in Birzeit with a total value of USD 84,746 as of December 31, 2022, registered in the name of related parties for the interest and benefit of the company.
- D. Property Investments in Jordan include lands in the Madaba region, with a total value of USD 1,554,492 as of December 31, 2022, registered in the name of related parties for the interest and benefit of the company.
- E. Property Investments include 41.67% of the value of the company's main building, which is the part not occupied by the company and used for investment. The reclassification of the investment part in the company's main building into real estate investments resulted in a conversion in the fair value of that part, which was previously recorded in the financial statements, to retained earnings, with an amount of USD 773,301 as of 12/31/2022.
- F. Property Investments include lands mortgaged in favor of a local bank at a value of USD 1,500,000 in exchange for credit facilities.

8. Right of use assets

The movement on the right of use and lease liabilities is as follows:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	136,513	188,498
Additions during the year	413,296	--
Disposal during the year	(20,372)	--
Amortization during the year	(122,678)	(56,474)
Currency differences	(4,914)	4,489
Balance, end of the year	401,845	136,513

9. Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through the statement of comprehensive income include the following:

	31 December 2022	31 December 2021
	USD	USD
Investments in quoted companies -B	4,091,151	4,645,853
Investments in unquoted companies	286,791	90,393
Total	4,377,942	4,736,246

	31 December 2022	31 December 2021
	USD	USD
Investments in Local companies	1,599,191	1,733,748
Investments in Foreign companies	2,778,750	3,002,498
Total	4,377,942	4,736,246

- B. The above investments include shares of companies reserved for membership of the board of directors in the amount of USD 137,050 as of December 31, 2022 (an amount of USD 120,800 as of December 31, 2021).

10. Restricted cash

- A. This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Deposits restricted for the order of PCMA - B	2,250,000	250,000
Balance, end of year	2,250,000	250,000

- B. The Restricted cash is subjected in accordance with the Palestine Capital Market Authority (PCMA) order No. (2/T) of 2007. For determining the value of the deposit required from insurance companies under Law No. (20) of 2005 The deposits can only be used with prior approval of PCMA, in addition 5% of the total annual insurance portfolio value, reserved according to the new instructions according to the aforementioned decision and also the deposits can only be used with prior approval of PCMA.

11. Deferred tax assets

Following is the movement on deferred tax assets during the year:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	1,069,966	910,379
Additions	110,026	159,587
Translations differences	(135,873)	--
Balance, end of the year	1,044,119	1,069,966

This amount represents deferred tax assets resulting from movements on the provision for employee's indemnity, provision of doubtful accounts and employees' vacations provision.

12. Accounts receivable

A. This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Account receivable - Customers	13,492,857	14,832,180
Account receivable - Agents	1,194,860	2,251,684
Account receivable - Employees	106,201	476,540
Total Balance, end of the year	14,793,918	17,560,404
Less: Provision for Expected Credit Losses	(2,699,054)	(2,791,896)
Net Balance, end of the year	12,094,864	14,768,508

B. Following is the movement on Provision for Expected Credit Losses accounts during the year:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	2,791,896	2,546,806
Additions during the year	149,319	166,285
Transferred from doubtful account to checks	42,639	--
Translations differences	(284,800)	78,805
Balance, end of the year	2,699,054	2,791,896

13. Insurance and reinsurance companies' receivables

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Local insurance companies' receivable	507,189	295,637
Balance, end of the year	507,189	295,637

14. Financial assets at fair value through the income statement:

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Investments in quoted companies	3,332,170	2,392,197
Investments in unquoted companies	1,987	1,987
Investments in bonds	120,612	70,613
Balance, end of the year	3,454,769	2,464,797

	31 December 2022	31 December 2021
	USD	USD
Investments in Local companies	3,232,069	2,291,887
Investments in Foreign companies	102,088	102,297
Investments in bonds in foreign companies	120,612	70,613
Balance, end of the year	3,454,769	2,464,797

15. Property Inventory

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Lands	2,428,681	2,287,706
Departments	307,895	307,895
Balance, end of the year	2,736,576	2,595,601

16. Other Current Assets

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Prepaid expenses	63,191	89,136
Employee loans and advances	42,510	10,039
Prepaid expenses for purchasing investments	39,977	39,941
Trusts and other debits	184,621	60,594
Balance, end of the year	330,299	199,710

17. Deposit at Bank

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Deposits due within three months – USD	315,902	2,039,786
Deposits due after three months – USD	282,887	920,473
Balance, end of the year	598,789	2,960,259

18. Cash and Cash equivalents

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Cash in hand	101,533	101,062
Current Accounts - New Israeli shekel (NIS)	1,682,276	2,588,573
Current Accounts - Jordanian dinars (JOD)	162,246	619,025
Current Accounts - US dollars (USD)	792,166	383,581
Current Accounts – Euro (EUR)	3,578	37,420
Balance, end of the year	2,741,799	3,729,661

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For Cash flow statement purposes, cash and cash equivalents consist of the following:

	31 December 2022	31 December 2021
	USD	USD
Cash in hand	101,533	101,062
Current Accounts in banks	2,640,266	3,628,599
Deposits In banks	598,789	2,960,259
Balance	3,340,588	6,689,920
Less: Deposits and short-term deposits at banks	282,887	920,473
Balance, end of the year	3,024,653	5,769,447

19. Capital

Based on the decision of the General Assembly in its extraordinary meeting on April 5, 2022, it was approved to raise the company's capital by 1,500,000 USD through the distribution of free shares, so that the company's capital became 7,000,000 USD, distributed over 7,000,000 shares, at a rate of one dollar for each share (compared to 5,500,000 USD as on December 31, 2021).

20. Cash Dividends

The General Assembly, in its meeting held on April 5, 2022, approved the Board of Directors' recommendation to distribute cash dividends of 2.5%, at an amount of USD 137,500.

21. Statutory reserve

According to the Corporate Law, a deduction of 10% of the net profit is transferred to the statutory reserve account and will continue until the total reserve equals 25% of the paid-in capital. This percentage may be increased by a decision of the Board of Directors until the reserve equals the paid-in share capital, and then it must end. The statutory reserve is not available for distribution to shareholders.

22. Change in Fair Value

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Differences in revaluation financial investments through other comprehensive income	1,157,597	991,922
Gains from revaluation of lands and real estates	1,348,689	1,759,924
Balance, end of the year	2,506,286	2,751,846

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The movement on financial investments through comprehensive income is as follows:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	1,002,689	(204,355)
Change in the fair value of financial investments	(313,501)	1,207,044
Currency difference	468,409	--
Balance, end of the year	1,157,597	1,002,689

The movement on the valuation of lands and real estate through comprehensive income is as follows:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	1,797,741	1,797,741
Transferred to retained earnings	(733,301)	--
Change in the fair value of land and real estate, net	77,287	--
Currency difference	206,962	--
Balance, end of the year	1,348,689	1,797,741

23. Provision for employees' indemnity

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	1,809,510	1,352,511
Additions during the year	235,091	544,235
Payments during the year	(293,993)	(147,274)
Translation differences from translating the beginning balances	(58,746)	60,038
Balance, end of the year	1,691,862	1,809,510

24. Lease liabilities

The movement on lease liability is as follows:

	31 December 2022	31 December 2021
	USD	USD
Balance, beginning of the year	141,722	193,530
Additions during the year	413,296	--
Payments during the year	(136,753)	(56,297)
Currency difference	(9,071)	4,489
Balance, end of the year	409,194	141,722

Lease liabilities represent the recognition of lease liabilities at the present value of the lease payments to be made during the lease term. Lease liabilities have been discounted using an interest rate of 6% as of December 1, 2022.

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	31 December 2022	31 December 2021
	USD	USD
Short term lease liability	133,738	17,568
Long term Lease liability	275,456	124,154
Balance, end of the year	409,194	141,722

25. Banks loans

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Sustainability Fund loan - A	252,029	--
Bank loans – B	1,291,318	1,400,000
Murabaha financing - C	1,776,436	1,881,854
Balance, end of the year	3,319,783	3,281,854

	31 December 2022	31 December 2021
	USD	USD
Bank loan – short term	1,382,616	1,058,035
Bank loan – Long term	1,937,167	2,223,819
Balance, end of the year	3,319,783	3,281,854

- a. During the year 2022, Al-Mashreq Company obtained a sustainability fund loan from a Palestinian bank in the amount of USD 300,000, at an interest rate of 3% annually decreasing, in order to use it in implementing the company's vision and plans in the field of digital transformation and adopting technological developments in the financial services market. The loan will be paid monthly in 48 equal installments over four years.
- b. During the year 2021, Al- Aqariya Trading Investment Company (a subsidiary) obtained a bank loan from a Palestinian bank at an amount of USD 1,400,000, at an interest rate of 5.5% annually for purchasing lands. The loan is repaid in 36 equal monthly installments, and the value of the installment is USD 55,556 and that is by guaranteeing the deposit of collection checks of not less than 21% of the value of the ceiling of loans granted by the bank, provided that they are real commercial checks of various drawers, and not more than 51% within 3 months from the date of implementation of the loan.
- c. On September 10, 2019, Al- Aqariya Trading Investment Company (a subsidiary) obtained a fund from a local bank with a financial ceiling of JOD 2,127,354, equal to USD 2,999,570, and a profit rate of 4% to purchase real estates. The fund will be paid in 60 monthly installments, the installment value is JOD 35,456, equal to USD 49,993, with the following guarantees:
- 10 insurance checks with the total value of the financing drawn on the company's account with another bank.
 - Depositing postdated checks until they reach the value of USD 900,000.
 - First class mortgage in favor of the bank, amounting to USD 1,500,000.

26. Accounts payable

This item consists of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	USD	USD
Account payable Suppliers, customers, agents and employees	7,721,918	7,616,603
Balance, end of the year	7,721,918	7,616,603

27. Insurance and reinsurance companies' payable

This item consists of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	USD	USD
Local insurance companies payable	249,125	405,508
Reinsurances' payable	1,381,060	1,200,238
Balance, end of the year	1,630,185	1,605,746

28. Other current liabilities

This item consists of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	USD	USD
Unpaid accrued expenses	17,617	66,900
Shareholders' benefits from capital reduction	167,133	167,133
Dividends payable	77,850	77,850
Provision for project completion	231,778	114,809
Employee secretariats	224,235	274,229
Others current liabilities	1,298,263	1,157,967
	2,016,876	1,861,888

29. Other Provisions

This item consists of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	USD	USD
Due to Palestine Compensation Fund for Road Accidents Victims	146,710	157,701
Due to Palestine Capital Market Authority	29,937	32,200
Due to Palestinian federation of Insurance Companies	17,600	12,681
Provisions for Income Taxes and Value Added Tax, net of Advances Paid*	1,400,941	1,500,290
Other tax provisions	991,925	693,544
	2,587,113	2,429,416

* The Company obtained a final settlement with the Income Tax and Value Added Tax Department until December 31, 2016, and is currently discussing the company's financial statements to obtain the clearance for the years 2017 to 2021. We were unable, through the audit procedures, to ascertain the

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adequacy of the provision for income tax and value added tax. Since the actual amount of income tax and value-added tax due on the company is finally approved after negotiations with the income tax and value-added tax department, in the opinion of the company's management, the allocations are sufficient to pay the additional burdens expected to be paid for those years.

30. Insurance contract liabilities and reinsurance contract assets

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
<u>Insurance contract liabilities</u>		
Gross outstanding claims reserve	30,177,473	32,003,167
Less: net of contributions and recoveries*	(6,272,523)	(6,137,050)
Net claims reported unsettled	23,904,950	25,866,117
Unreported claims reserve (Pure)	395,480	450,160
Unearned premium reserve	13,918,960	14,150,495
Total insurance contract liabilities	38,219,390	40,466,772
<u>Insurance contract assets</u>		
Outstanding claims provision	5,114,100	4,618,377
Unearned premium reserve	1,232,850	1,177,661
Total insurance contract assets	6,346,950	5,796,038
<u>Net insurance contract liabilities</u>		
Outstanding claims provision	18,790,850	21,247,740
Unreported claims reserve (Pure)	395,480	450,160
Unearned premium reserve	12,686,110	12,972,834
Total	31,872,440	34,670,734

* The outstanding claims reserve for Motors was calculated net of the value of and contributions recoveries, according to the estimates of the company's experts. Final amounts depend on final settlements with related parties. The value of the net recoveries and contributions that were deducted from the claims reserve under settlement as of December 31, 2022, and December 31, 2021 was as follows:

	31 December 2022	31 December 2021
	USD	USD
Contributions and recoveries from individuals and companies	3,880,174	3,923,926
Recoveries from Palestinian Road Accident Victims Compensation Fund	1,609,325	1,793,645
Recoveries from other parties	3,580,515	3,536,927
Less: recoveries under settlement that cannot be estimated	(2,797,491)	(3,117,448)
Net contributions and recoveries	6,272,523	6,137,050

31. Segment information

For management purposes and based on the Palestine Capital Market Authority (Insurance General Directorate), the Company is organized into multiple business sectors which are motor, workmen, third party-personal liability, health, engineering, fire, marine, life, and other general insurance. These segments form the basis of analytical reports of the Company.

Other operations of the Company include investments and cash management, and there are no inter-segment transactions. The following schedule represents a summary for insurance revenues and results of each operating segment of the Company.

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2022

	Motor	General insurances	Workmen	Engineering	Third party- personal liability	Fire	Health	Marine	Investment and treasury	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Gross written premiums	32,501,407	553,425	3,328,170	518,948	537,825	1,339,204	6,033,248	557,338	-	45,369,565
Change in unearned premiums reserve	(1,537,323)	(50,774)	(233,851)	(18,160)	(4,644)	(61,627)	340,891	(6,178)	-	(1,571,666)
Total Retained premiums	30,964,084	502,651	3,094,319	500,788	533,181	1,277,577	6,374,139	551,160	-	43,797,899
Gross premiums ceded to reinsurers	(1,018,429)	(294,569)	(137,505)	(330,924)	(132,819)	(963,999)	-	(414,849)	-	(3,293,094)
Change in unearned premiums reserve	75,060	44,199	14,044	18,682	(5,291)	57,725	-	5,064	-	209,483
Net premiums ceded to reinsurers	(943,369)	(250,370)	(123,461)	(312,242)	(138,110)	(906,274)	-	(409,785)	-	(3,083,611)
Net premium earned before commissions	30,020,715	252,281	2,970,858	188,546	395,071	371,303	6,374,139	141,375	-	40,714,288
Commissions received	113	18,941	4,132	75,117	1,469	158,235	-	80,275	-	338,282
Commissions paid	(1,321,544)	(60,578)	(72,611)	(7,749)	(13,333)	(40,206)	(36,736)	(42,168)	-	(1,594,925)
Net premium earned after commissions	28,699,284	210,644	2,902,379	255,914	383,207	489,332	6,337,403	179,482	-	39,457,645
Investment income	332,362	5,659	34,034	5,307	5,500	13,695	61,697	5,699	-	463,953
Claims Incurred										
Claims paid	23,252,473	(69,650)	908,879	230,548	94,016	443,817	5,353,400	93,711	-	30,307,194
Reinsurers' share of paid claims	(215,298)	(10,737)	-	(126,837)	-	(387,870)	-	(63,467)	-	(804,209)
Net claims paid	23,037,175	(80,387)	908,879	103,711	94,016	55,947	5,353,400	30,244	-	29,502,985
Change in outstanding claims reserve	(606,549)	(166,238)	1,438,498	225,288	99,603	117,178	-	151,777	-	1,259,557
Change in Reinsurers' share of outstanding claims	(499,035)	(14,068)	(164,641)	(197,292)	-	(121,197)	-	(132,235)	-	(1,128,468)
Net claims incurred	21,931,591	(260,693)	2,182,736	131,707	193,619	51,928	5,353,400	49,786	-	29,634,074
Net insurance underwriting profit before general and administrative expenses	7,100,055	476,996	753,677	129,514	195,088	451,099	1,045,700	135,395	-	10,287,524
Allocated general and administrative expenses	(5,759,430)	(98,070)	(589,770)	(91,960)	(95,306)	(237,314)	(1,069,125)	(98,764)	-	(8,039,739)
Net insurance underwriting (loss) profit after general and administrative expenses	1,340,625	378,926	163,907	37,554	99,782	213,785	(23,425)	36,631	-	2,247,785
Unallocated revenues and expenses:										
Bank interest and charges	-	-	-	-	-	-	-	-	(56,367)	(56,367)
Currency exchange gains (losses)	-	-	-	-	-	-	-	-	571,303	571,303
Provision of doubtful accounts	-	-	-	-	-	-	-	-	(149,319)	(149,319)
Gain (Loss) from sale of property and equipment	-	-	-	-	-	-	-	-	10,851	10,851
General and administrative expenses not allocated to insurance activities	-	-	-	-	-	-	-	-	(1,628,887)	(1,628,887)
Other income not allocated to insurance activities	-	-	-	-	-	-	-	-	1,765,646	1,765,646
Amortization of right of use assets	-	-	-	-	-	-	-	-	(122,678)	(122,678)
Interest expense on lease liability	-	-	-	-	-	-	-	-	(8,605)	(8,605)
Gain from revaluation of investment properties	-	-	-	-	-	-	-	-	1,107,087	1,107,087
Gain from revaluation of investment through profit or loss	-	-	-	-	-	-	-	-	67,602	67,602
Profit (loss) before tax	1,340,625	378,926	163,907	37,554	99,782	213,785	(23,425)	36,631	1,556,633	3,804,418

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2021

	Motor USD	General insurances USD	Workmen USD	Engineering USD	Third party- personal liability USD	Fire USD	Health USD	Marine USD	Investment and treasury USD	Total USD
Gross written premiums	28,475,596	491,056	2,603,572	477,426	449,818	1,168,792	5,582,532	595,718	--	39,844,510
Change in unearned premiums reserve	(1,303,223)	(26,539)	(87,623)	(22,370)	(22,951)	(46,248)	(1,090,237)	(17,170)	--	(2,616,361)
Total Retained premiums	27,172,373	464,517	2,515,949	455,056	426,867	1,122,544	4,492,295	578,548	--	37,228,149
Gross premiums ceded to reinsurers	(792,454)	(236,837)	(135,711)	(292,115)	(123,633)	(830,300)	--	(432,692)	--	(2,843,742)
Change in unearned premiums reserve	63,630	64,586	27,146	21,745	19,307	40,049	--	16,024	--	252,487
Net premiums ceded to reinsurers	(728,824)	(172,251)	(108,565)	(270,370)	(104,326)	(790,251)	--	(416,668)	--	(2,591,255)
Net premium earned before commissions	26,443,549	292,266	2,407,384	184,686	322,541	332,293	4,492,295	161,880	--	34,636,894
Commissions received	117	22,286	5,277	69,609	1,181	124,801	--	63,931	--	287,202
Commissions paid	(1,195,615)	(51,057)	(61,646)	(4,899)	(13,059)	(34,136)	(36,023)	(51,732)	--	(1,448,167)
Net premium earned after commissions	25,248,051	263,495	2,351,015	249,396	310,663	422,958	4,456,272	174,079	--	33,475,929
Investment income	257,599	4,372	23,620	4,420	4,227	11,437	55,333	6,245	--	367,253
Claims Incurred	19,168,965	22,509	916,485	154,399	132,220	255,554	2,884,396	(15,659)	--	23,518,869
Claims paid	--	(28,262)	--	(103,272)	--	(299,304)	--	(7,918)	--	(438,756)
Reinsurers' share of paid claims	--	--	--	--	--	--	--	--	--	--
Net claims paid	19,168,965	(5,753)	916,485	51,127	132,220	(43,750)	2,884,396	(23,577)	--	23,080,113
Change in outstanding claims reserve	1,201,388	40,737	(17,442)	10,618	(22,772)	234,849	619,195	23,984	--	2,090,557
Change in Reinsurers' share of outstanding claims	(752,183)	(46,931)	255,422	(11,169)	(12,262)	(203,142)	--	(22,461)	--	(792,726)
Net claims incurred	19,618,170	(11,947)	1,154,465	50,576	97,186	(12,043)	3,503,591	(22,054)	--	24,377,944
Net insurance underwriting profit before general and administrative expenses	5,887,480	279,814	1,220,170	203,240	217,704	446,438	1,008,014	202,378	--	9,465,238
Allocated general and administrative expenses	(5,438,350)	(92,293)	(498,668)	(93,314)	(89,244)	(241,463)	(1,168,171)	(131,835)	--	(7,753,338)
Net insurance underwriting (loss) profit after general and administrative expenses	449,130	187,521	721,502	109,926	128,460	204,975	(160,157)	70,543	--	1,711,900
Unallocated revenues and expenses:	--	--	--	--	--	--	--	--	--	--
Bank interest and charges	--	--	--	--	--	--	--	--	(44,039)	(44,039)
Currency exchange gains (losses)	--	--	--	--	--	--	--	--	(292,650)	(292,650)
Provision of doubtful accounts	--	--	--	--	--	--	--	--	(166,285)	(166,285)
Gain (Loss) from sale of property and equipment	--	--	--	--	--	--	--	--	(3,644)	(3,644)
General and administrative expenses not allocated to insurance activities	--	--	--	--	--	--	--	--	(1,467,933)	(1,467,933)
Other income not allocated to insurance activities	--	--	--	--	--	--	--	--	(56,474)	(56,474)
Amortization of right of use assets	--	--	--	--	--	--	--	--	(9,967)	(9,967)
Interest expense on lease liability	--	--	--	--	--	--	--	--	867,774	867,774
Gain from revaluation of investment properties	--	--	--	--	--	--	--	--	474,536	474,536
Gain from revaluation of investment through profit or loss	--	--	--	--	--	--	--	--	333,072	333,072
(Loss) on the sale of real estate investments	--	--	--	--	--	--	--	--	(3,446)	(3,446)
Profit (loss) before tax	449,130	187,521	721,502	109,926	128,460	204,975	(160,157)	70,543	(369,056)	1,342,844

32. General and administrative expenses

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Salaries and related items	7,164,344	6,584,819
End of service indemnity	235,091	544,235
Benefits and Employees' vacation	249,239	216,374
Employees Provident fund	126,107	112,368
Stationery	113,526	115,250
Travel and transportation	144,919	81,613
Rent and utilities	170,492	213,120
Donations	36,162	145,052
Telephone, fax, internet and postage	120,731	147,331
Car expenses	174,054	60,718
Hospitality	59,672	63,244
Maintenance and repairs	45,575	290,932
Depreciation	328,922	118,103
Advertising expenses	279,732	253,048
Professional fees and advisory expenses	4,475	7,780
Financing expenses	121,119	32,511
Subscriptions and fees	230,464	180,966
Other expenses	64,002	53,807
Total	9,668,626	9,221,271

General and administrative expenses of the parent company for the year ended on December 31, 2022 have been distributed among the various insurance segments and the consolidated statement of profit or loss as follows:

	31 December 2022	31 December 2021
	USD	USD
Motor Insurance	5,759,430	5,438,350
General Insurance	98,070	92,293
Workmen Insurance	589,770	498,668
Engineering Insurance	91,960	93,314
Third party-personal liability Insurance	95,306	89,244
Fire Insurance	237,314	241,463
Health Insurance	1,069,125	1,168,171
Marine Insurance	98,764	131,835
	8,039,739	7,753,338
Unallocated expenses / Directly charged to the Consolidated statement of profit and loss	1,628,887	1,467,933
Total	9,668,626	9,221,271

33. Investment income

This item consists of:

	31 December 2022	31 December 2021
	USD	USD
Income from stock dividends	316,219	181,308
Income from rents	82,097	102,207
Interest and returns on bank deposits	89,350	107,672
Operating income for Al-Aqariya Trading Investment Company	1,719,550	827,197
Other revenues	22,383	16,643
Balance, end of the year	2,229,599	1,235,027
Investment returns distributed among insurance branches	463,953	367,253
Investment returns not distributed to insurance branches	1,765,646	867,774
	2,229,599	1,235,027

34. Basic and diluted earnings per share for the year

Basic earnings per share have been calculated on the basis of dividing the profit for the year by the weighted average number of common stock outstanding during the year as follows:

	31 December 2022	31 December 2021
	USD	USD
Profit for the period attributable to the shareholders of the company	2,722,807	875,911
Weighted average number of shares (share)	6,250,000	5,500,000
Basic earnings per share attributable to the shareholders of the company	0.4356	0.1592

35. Related Party transactions

Related parties represent subsidiaries companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

As at the end of the period, the amounts due (from / to) the related parties were included in the consolidated statement of financial position as follows:

	31 December 2022	31 December 2021
	USD	USD
Accounts receivable	295,297	241,012

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The consolidated statement of profit or loss includes the following transactions with related parties:

	31 December 2022	31 December 2021
	USD	USD
Insurance premiums	234,904	246,613
Outstanding claims	(6,921)	(9,003)
Paid claims	2,754	4,248
Senior management and executive management Salaries	(317,362)	(888,342)

36. Fair Value Measurement

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined based on market trading prices at the close of business on the date of the consolidated statement of financial position.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument.

Fair value of the financial assets that are measured at fair value on a recurring basis:

	31 December 2022	31 December 2022	Fair value level	Valuation method and inputs	Intangibles inputs	Relationship between intangible inputs and fair value
	USD	USD				
Financial instrument through OCI Note No. (9)						
Investment on quoted companies	4,091,151	4,645,853	Level 1	Market prices in active market	Not applicable	Not applicable
Investment on unquoted companies	286,791	90,393	Level 3	Internal valuation models based on net assets value	Net assets Amount	The higher the assets value of the investee company the higher fair value
	4,377,942	4,736,246				
Financial instrument through P&L Note No. (14)						
Investment on quoted companies	3,332,170	2,392,197	Level 1	Market prices in active market	Not applicable	Not applicable
Investment on unquoted companies	1,987	1,987	Level 3	Internal valuation models based on net assets value	Net assets Amount	The higher the assets value of the investee company the higher fair value
	3,334,157	2,394,184				
	7,712,099	7,130,430				

37. Risk Management

The Company manages various risks through a strategy that identifies those risks and the procedures to mitigate them by applying a reporting system aiming to review and adopt appropriate risk mitigating procedures. In addition, the business units are responsible for identifying risks associated with their operations and to apply and monitor appropriate control procedures. The overall responsibility of managing and monitoring the risks of the Company rests with the Board of Directors.

Risk measurement and reporting systems

The Company maintains acceptable risk limits that are reviewed on a regular basis for each risk type. The limits reflect the acceptable risk for the Company's strategy and the market conditions.

The information is gathered from each business unit and analyzed to identify expected risks.

Information is analyzed and presented to the Board of Directors.

The Company is exposed to the insurance risks and to regulatory risks in addition to financial risks such as market, liquidity and credit risks.

Following is a summary of the Company's risks and the mitigating procedures applied.

Insurance risks

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these claims.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. In addition, the variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company underwrites motor, workmen, third party-personal liability, health, engineering, fire, marine, life, and other general insurance. Those are regarded as short-term insurance contracts as claims are normally settled within one year (except for life insurance contracts) from the insured accident had taken place. This helps to mitigate insurance risks.

Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitoring them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities.

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

Financial risk

The Company follows financial policies in managing risks as a part of certain strategies. Management manages and controls risks and ensures strategic and optimal allocation of assets and liabilities. These risks include market risk, Interest rate risk, and liquidity risk and credit risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: interest rate risk, equity price risk and currency risk. Market risk results from the effect of open positions for interest prices and investment in shares and foreign currencies and are monitored by management's specific policies and procedures.

Interest rate risk

The sensitivity of the consolidated income statement is the effect of the possible assumed changes in interest rates on the company's profit for one year, and it is calculated on financial assets and 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.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. Most of the time deposits belonging to the company at the date of the balance sheet are due within a period not exceeding three months.

Management is responsible for the final liquidity risk management, which has established an appropriate framework for liquidity risk management, in order to manage matters relating to the short, medium and long term funding of the Company, as well as the requirements of liquidity management. The Company manages liquidity risk by maintaining adequate reserves through continuous monitoring of projected and actual cash flows and comparing the maturity profiles of financial assets and liabilities. The contractual maturity of financial instruments is determined based on the remaining period to the maturity of the financial instrument from the date of the consolidated financial statements. The company's management monitors the maturity of financial instruments in order to ensure that the necessary liquidity is available in the company.

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 carrying value as disclosed in the financial position statement.

38. 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 in 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 to USD 21,218,145 as of December 31, 2022 compared to USD 17,620,751 as of December 31, 2021.

The operations of the Company are also subject to regulatory requirements within the jurisdictions when it operates. 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.

39. Going concern

The company has conducted an assessment of its ability to continue as a going concern in the current economic conditions using all available information about future risks and uncertainties. Forecasts have been prepared that address the future performance of the company, Capital and liquidity. The information indicates that the company has sufficient resources, as well as that its position regarding continuity has not been significantly affected and has not changed materially to continue operating its business since the beginning of the fiscal year. As a result, these financial statements have been prepared in accordance with the principle of continuity. The company's management also concluded that there is no need to make material adjustments to liabilities, assets or business results within these financial statements for the year ended December 31, 2022,

40. Legal cases against the Company

In the normal course of business, the Company appears as a defendant in a number of lawsuits. The Company's management, based on legal the advice, does not believe that the outcomes of these lawsuits will have a material impact on the Company's income nor its financial position.

41. Concentration of risk in geographical area

The company is operating in Palestine. The instability of the political and economic situation in the region increases the risk of the company exercising its activities and adversely affects its performance.

42. Comparative Figures

The Comparative figures for 31 December 2021 have been reclassified in order to conform to the presentation for the 31 December 2022 financial statements. Such reclassifications do not affect the prior year's Income nor equity.