

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2017

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

Introduction

We have reviewed the accompanying interim condensed financial statements of **THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN** (a public shareholding company) as of 30 June 2017, comprising of interim statement of financial position as of 30 June 2017 and the related interim statement of comprehensive income, interim statement of other comprehensive income, interim statement of changes in equity, and interim statement of cash flows for six months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis of Matter

- Property and equipment includes project under construction at a cost of JD 6,765,190 as of 30 June 2017, projects under constructions represents the Company's new building in Al – Abdali. The Company has ceased operations on the project in 2011 and did not capitalize it until the date of these financial statements.
- The Company's solvency ratio reached 113% as of 30 June 2017, which is less than the ratio determined by the Insurance Department which is 150%

Other Matters

The interim condensed financial statements have been prepared for the purposes of Jordan Securities Commission and management and do not require the Insurance Department approval.

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	<u>Notes</u>	30 June 2017 JD (Unaudited)	31 December 2016 JD (Audited)
<u>Assets</u>			
Investments-			
Bank deposits	3	9,148,265	9,635,681
Financial assets at fair value through other comprehensive income	4	283,347	296,313
Total Investments		<u>9,431,612</u>	<u>9,931,994</u>
Other Assets-			
Cash on hands and at banks	12	245,805	305,212
Checks under collection		2,205,930	2,909,677
Accounts receivable, net	5	7,667,617	5,230,404
Reinsurers' receivable		546,061	529,473
Property and equipment		7,882,496	7,768,410
Intangible assets		47,316	34,766
Other assets		198,860	279,073
Total Assets		<u><u>28,225,697</u></u>	<u><u>26,989,009</u></u>
<u>Liabilities and Equity</u>			
Liabilities –			
Insurance Contract Liabilities			
Unearned premium reserve, net		8,169,634	7,334,149
Outstanding claims reserve, net		8,636,627	9,038,749
Total Insurance Contract Liabilities		<u>16,806,261</u>	<u>16,372,898</u>
Other liabilities			
Accounts payable	6	2,129,962	1,452,799
Accrued expenses		36,118	43,093
Reinsurers' payable	7	2,036,338	1,572,704
Income tax provision	8	17,172	102,380
Other liabilities		305,127	245,250
Total Liabilities		<u>21,330,978</u>	<u>19,789,124</u>
Equity			
Paid in capital	1	10,000,000	10,000,000
Statutory reserve		169,213	169,213
Fair value reserve	9	(443,092)	(430,126)
Accumulated losses		(2,831,402)	(2,539,202)
Total Equity		<u>6,894,719</u>	<u>7,199,885</u>
Total Liabilities and Equity		<u><u>28,225,697</u></u>	<u><u>26,989,009</u></u>

The attached notes 1 to 17 form part of these interim financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Notes	For the three months ended 30 June 2017		For the six months ended 30 June 2017	
		2017	2016	2017	2016
		JD	JD	JD	JD
Revenue –					
Gross written premiums		5,718,798	4,741,160	10,018,223	9,441,612
Less: local reinsurers' share		204,011	278,541	568,678	493,395
Less: foreign reinsurers' share		409,646	365,806	1,016,577	1,174,944
Net written premiums		5,105,141	4,096,813	8,432,968	7,773,273
Net change in unearned premiums provision		(1,301,014)	(489,472)	(835,484)	(617,241)
Net earned premiums		3,804,127	3,607,341	7,597,484	7,156,032
Commissions income		131,014	176,187	315,281	452,155
Insurance policies issuance fees		342,213	233,805	575,813	476,022
Interest income		91,277	87,102	178,537	177,344
Other underwriting revenues		11,735	39,214	111,645	103,536
Other revenues		-	238,059	-	238,059
Gain from financial assets and investments	10	14,796	12,196	14,796	12,196
Gain from selling property and equipment		21,000	-	21,348	-
Total revenues		4,416,162	4,393,904	8,814,904	8,615,344
Claims and related expenses					
Paid claims		3,655,347	3,854,487	8,695,674	7,526,273
Less: Recoveries		356,040	351,190	777,625	723,645
Less: Reinsurers' share		88,559	59,790	275,664	192,226
Paid claims, net		3,210,748	3,443,507	7,642,385	6,610,402
Net change in claims reserve		298,158	(147,384)	(402,122)	166,217
Allocated general and administrative expenses		220,665	214,352	473,200	426,246
Allocated employees' expenses		359,890	367,191	656,161	609,066
Excess of loss premium		47,987	104,086	121,009	155,209
Policies acquisition costs		111,401	159,013	244,446	308,475
Other expenses		98,079	54,397	143,364	99,008
Net Claims		4,346,928	4,195,162	8,878,443	8,374,623
Unallocated employees' expenses		51,931	48,544	93,587	82,601
Depreciation and amortization		16,221	10,402	32,821	21,124
Unallocated general and administrative expenses		39,505	43,492	91,107	86,420
Allowance for doubtful debts		-	-	11,146	-
Total expenses		107,657	102,438	228,661	190,145
(Loss) profit for the period before tax		(38,423)	96,304	(292,200)	50,576
Income tax expenses		-	(13,855)	-	-
(Loss) profit for the period		(38,423)	82,449	(292,200)	50,576
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (loss) profit per share for the period	11	(0/004)	0/008	(0/003)	0/005

The attached notes 1 to 17 form part of these interim financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	For the three months ended 30 June 2017		For the six months ended 30 June 2017	
	2017	2016	2017	2016
	JD	JD	JD	JD
(Loss) profit for the period	(38,423)	82,449	(292,200)	50,576
Add: other comprehensive income items not to be reclassified to profit and loss in subsequent periods				
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(46,584)</u>	<u>(960)</u>	<u>(12,966)</u>	<u>(16,808)</u>
Total loss and comprehensive income for the period	<u>(85,007)</u>	<u>81,489</u>	<u>(305,166)</u>	<u>33,768</u>

The attached notes 1 to 17 form part of these interim financial statements

**THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)**

	Paid in capital	Statutory reserve	Fair value reserve	Accumulated Losses	Total
	JD	JD	JD	JD	JD
30 June 2017 -					
Balance at 1 January 2017	10,000,000	169,213	(430,126)	(2,539,202)	7,199,885
Total comprehensive income for the period	-	-	(12,966)	(292,200)	(305,166)
Balance at 30 June 2017	<u>10,000,000</u>	<u>169,213</u>	<u>(443,092)</u>	<u>(2,831,402)</u>	<u>6,894,719</u>
30 June 2016 -					
Balance at 1 January 2016	10,000,000	109,436	(416,681)	(2,974,816)	6,717,939
Total comprehensive income for the period	-	-	(16,808)	50,576	33,768
Balance at 30 June 2016	<u>10,000,000</u>	<u>109,436</u>	<u>(433,489)</u>	<u>(2,924,240)</u>	<u>6,751,707</u>

The attached notes 1 to 17 form part of these interim financial statements

**THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)**

	30 June 2017 JD	30 June 2016 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
(Loss) profit for the period before tax	(292,200)	50,576
Adjustment for non-cash items:		
Depreciation and amortization	32,821	21,124
Unearned premium provision, net	835,484	617,241
Outstanding claims provision, net	(402,122)	166,217
Interest income	(178,537)	(177,344)
Gain from sale of property and equipment	(21,348)	-
Provision for doubtful debts	11,146	(154,723)
Cash flows (used in) from operating activities before changes in working capital	(14,756)	523,091
Checks under collection	703,747	174,573
Accounts receivable	(2,448,359)	(1,559,592)
Reinsurers' receivable	(16,588)	(12,440)
Other assets	80,213	(7,834)
Accounts payable	677,163	289,303
Reinsurers' payable	463,634	570,826
Other liabilities and accrued expenses	52,902	(23,365)
Income tax paid	(85,208)	(76,200)
Net cash flows used in operating activities	(587,252)	(121,638)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	178,537	177,344
Deposits at banks maturing after three months	547,830	(7,177,997)
Purchase of intangible assets	(20,447)	(9,801)
Purchase of property and equipment	(139,010)	(72,736)
Proceeds from sale of property and equipment	21,349	-
Net cash flows from (used in) investing activities	588,259	(7,083,190)
Net increase (decrease) in cash and cash equivalents	1,007	(7,204,828)
Cash and cash equivalents at beginning of the period	3,867,883	9,160,965
Cash and cash equivalents at the end of the period	12 3,868,890	1,956,137

The attached notes 1 to 17 form part of these interim financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Written Premiums:														
Direct insurance	5,421,812	5,290,226	221,353	412,441	1,472,902	1,378,152	107,768	96,750	2,779,644	2,258,771	14,744	3,272	10,018,223	9,441,612
Less:														
Local reinsurers' share	-	-	14,554	44,912	505,542	405,108	43,355	43,375	-	-	5,227	-	568,678	493,395
Foreign reinsurers' share	-	-	171,902	325,122	826,404	836,640	10,837	10,564	-	-	7,434	2,618	1,016,577	1,174,944
Net Written Premiums	5,421,812	5,290,226	34,897	42,407	140,956	136,404	53,576	44,811	2,779,644	2,258,771	2,083	654	8,432,968	7,773,273
Add:														
Balance at the beginning of the period														
Unearned premium provision	4,746,868	4,108,207	83,221	161,459	1,185,616	1,044,394	39,245	49,927	2,426,082	2,123,483	14,620	21,935	8,495,652	7,509,405
Less: reinsurers' share	-	-	68,882	156,350	1,062,454	942,405	17,935	30,983	-	-	12,231	17,548	1,161,502	1,147,286
Net Unearned Premiums Provision	4,746,868	4,108,207	14,339	5,109	123,162	101,989	21,310	18,944	2,426,082	2,123,483	2,389	4,387	7,334,150	6,362,119
Less:														
Balance at the end of the period														
Unearned premium provision	5,170,862	4,832,721	72,411	144,608	1,385,500	1,338,303	82,409	69,526	2,818,077	1,982,574	12,061	8,193	9,541,320	8,375,925
Less: Reinsurers' share	-	-	65,194	131,826	1,251,392	1,219,291	44,690	38,893	-	-	10,410	6,555	1,371,686	1,396,565
Net Unearned Premiums provision	5,170,862	4,832,721	7,217	12,782	134,108	119,012	37,719	30,633	2,818,077	1,982,574	1,651	1,638	8,169,634	6,979,360
Net: Earned revenue from written Premiums	4,997,818	4,565,712	42,019	34,734	130,010	119,381	37,167	33,122	2,387,649	2,399,660	2,821	3,403	7,597,484	7,156,032

The attached notes 1 to 17 form part of these interim financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2017		2016		2017		2016		2017		2016		2017	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	5,302,912	4,799,501	22,227	6,516	277,566	224,025	2,933	4,367	3,084,561	2,490,791	5,475	1,073	8,695,674	7,526,273
Less:														
Recoveries	709,039	649,438	-	-	17,013	9,580	-	-	51,573	64,617	-	10	777,625	723,645
Foreign reinsurers' share	48,303	-	15,688	6,058	207,294	185,571	-	-	-	-	4,379	597	275,664	192,226
Net Paid Claims	4,545,570	4,150,063	6,539	458	53,259	28,874	2,933	4,367	3,032,988	2,426,174	1,096	466	7,642,385	6,610,402
Add:														
Outstanding Claims provision at the end of the period														
Reported	6,438,871	6,982,331	256,540	286,967	600,123	696,147	56,820	16,245	629,325	620,000	865	220	7,982,544	8,601,910
Unreported	2,000,000	2,100,000	2,000	2,000	8,000	8,000	1,000	1,000	225,000	180,000	1,000	1,000	2,237,000	2,292,000
Less:														
Recoveries	674,187	573,002	-	-	-	-	-	-	-	-	-	-	674,187	573,002
Reinsurers' share	112,101	175,891	253,581	274,914	533,484	643,733	8,840	1,990	-	-	724	209	908,730	1,096,737
Net Outstanding Claims provision at the end of the period	7,652,583	8,333,438	4,959	14,053	74,639	60,414	48,980	15,255	854,325	800,000	1,141	1,011	8,636,627	9,224,171
Reported	5,652,583	6,233,438	2,959	12,053	66,639	52,414	47,980	14,255	629,325	620,000	141	11	6,399,627	6,932,171
Unreported	2,000,000	2,100,000	2,000	2,000	8,000	8,000	1,000	1,000	225,000	180,000	1,000	1,000	2,237,000	2,292,000
Less:														
Outstanding Claims provision at the beginning of the period														
Reported	6,590,855	6,668,486	289,296	236,831	671,223	678,264	31,445	10,928	897,337	646,000	220	783	8,480,376	8,241,292
Unreported	2,000,000	2,100,000	2,000	2,000	8,000	8,000	1,000	1,000	200,000	200,000	1,000	1,000	2,212,000	2,312,000
Less:														
Recoveries	571,477	527,747	-	-	-	-	-	-	-	-	-	-	571,477	527,747
Reinsurers' share	189,951	122,066	276,537	224,782	613,463	618,094	1,990	1,990	-	-	209	659	1,082,150	967,591
Net Outstanding Claims provision at the beginning of the period	7,829,427	8,118,673	14,759	14,049	65,760	68,170	30,455	9,938	1,097,337	846,000	1,011	1,124	9,038,749	9,057,954
Net Claims Cost	4,366,726	4,364,828	(3,261)	462	62,138	21,118	21,458	9,684	2,789,976	2,380,174	1,226	353	7,240,263	6,776,619

The attached notes 1 to 17 form part of these interim financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDERWRITING (LOSS) PROFIT FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2017		2016		2017		2016		2017		2016		2017	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	4,997,818	4,565,712	42,019	34,734	130,010	119,381	37,167	33,122	2,387,649	2,399,680	2,821	3,403	7,597,484	7,156,032
Less:														
Net claims cost	4,368,726	4,364,828	(3,261)	462	62,138	21,118	21,458	9,684	2,789,976	2,380,174	1,226	353	7,240,263	6,776,619
Add:														
Commissions received	-	-	70,518	172,444	231,593	267,433	10,824	11,462	-	-	2,346	826	315,281	452,155
Insurance policies issuance fees	142,291	128,908	59,137	43,554	151,788	127,079	11,117	6,777	208,509	169,409	2,971	295	575,813	476,022
Other underwriting revenue	11,810	62,478	17,299	-	29,347	-	-	-	53,189	41,058	-	-	111,645	103,536
Total revenue	783,193	392,270	192,234	250,270	480,600	492,775	37,650	41,667	(140,629)	229,973	6,912	4,171	1,359,960	1,411,126
Less:														
Insurance policies acquisition costs	156,407	201,716	11,049	7,730	48,077	43,792	1,668	1,712	26,055	53,515	1,190	10	244,446	308,475
Excess of loss premiums	61,005	96,856	4,675	3,362	55,329	54,991	-	-	-	-	-	-	121,009	155,209
Allocated general and administrative expenses	598,037	560,142	31,079	44,635	164,569	158,487	7,947	7,071	326,643	284,743	1,086	234	1,129,361	1,035,312
Other expenses	52,200	13,691	1,440	-	1,108	12,601	-	-	87,816	72,076	800	640	143,364	99,008
Total Expenses	867,649	872,405	48,243	55,727	269,083	269,871	9,615	8,783	440,514	390,334	3,076	884	1,638,180	1,598,004
Underwriting profit (loss)	(84,456)	(480,135)	143,991	194,543	211,517	222,904	28,035	32,884	(581,143)	(160,361)	3,636	3,287	(278,220)	(186,878)

The attached notes 1 to 17 form part of these interim financial statements

(1) GENERAL

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

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

(2) Basis of preparation

The interim condensed financial statements as of 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual report as at 31 December 2016. In addition, the results for the six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016, except for the adoption of new amendments effective as of 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

(3) BANK DEPOSITS

This item represents the following:

	30 June 2017				31 December 2016
	Deposits due within a month	Deposits due from 1 to 3 months	Deposits due from 3 months to 1 year	Total	
	JD	JD	JD	JD	JD
				(Unaudited)	(Audited)
Inside Jordan	1,738,514	1,884,571	5,525,180	9,148,265	9,635,681

Interest rates on bank deposit balances in Jordanian Dinar range from 3% to 5.35% during the period ended 30 June 2017.

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

This item consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Quoted shares in Amman Stock Exchange	283,347	296,313

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2017

(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	30 June 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Policy holders	8,256,828	5,807,593
Due from sister companies	6,918	6,918
Employees' receivables	15,032	17,242
Other	5,507	4,173
	<u>8,284,285</u>	<u>5,835,926</u>
Less: Provision for doubtful debts*	616,668	605,522
	<u><u>7,667,617</u></u>	<u><u>5,230,404</u></u>

* Movement on the provision for doubtful debts consists of the following:

	30 June 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	605,522	685,137
Additions	11,146	75,108
Reversal of provision	-	(154,723)
Balance at the end of the period / year	<u><u>616,668</u></u>	<u><u>605,522</u></u>

(6) ACCOUNTS PAYABLE

This item consists of the following:

	30 June 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Due to sister companies	365,976	279,052
Policy holders	642,365	333,940
Medical network payables	865,579	503,334
Others	256,042	336,473
	<u><u>2,129,962</u></u>	<u><u>1,452,799</u></u>

(7) REINSURER'S PAYABLE

This item consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	560,416	470,735
Foreign reinsurance companies	1,475,922	1,101,969
	<u>2,036,338</u>	<u>1,572,704</u>

(8) INCOME TAX PROVISION

No income tax provision was calculated for the periods ended 30 June 2017 and 2016 due to the excess of deductible expenses over taxable revenues in accordance with the Income Tax Law No. (34) of 2014.

Income Tax

Final reconciliation was reached with the Income and Sales Tax Department up to 2015.

Based on the opinion of the Company's management and the tax consultant, the tax provision is considered sufficient to meet any tax obligations.

Sales Tax

Final reconciliation was reached with the Income and Sales Tax Department up to 2015.

(9) FAIR VALUE RESERVE

This item consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Balance at beginning of the period	(430,126)	(416,681)
Change in fair value during the period	(12,966)	(13,445)
Balance at end of the period	<u>(443,092)</u>	<u>(430,126)</u>

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2017

(10) GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	30 June 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Dividends income	14,796	12,196

(11) BASIC (LOSS) PROFIT PER SHARE FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
(Loss) profit for the period (JD)	(38,423)	82,449	(292,200)	50,576
Weighted average number of shares	10,000,000	10,000,000	10,000,000	10,000,000
	JD/ Fils	JD/ Fils	JD/ Fils	JD/ Fils
Basic and diluted earnings (loss) profit per share for the period	(0/004)	0/008	(0/003)	0/005

(12) CASH AND CASH EQUIVALENTS

Cash and cash equivalents as stated in the statement of cash flows and statement of financial position consist of the following:

	30 June 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Cash in hand and bank balances	245,805	288,922
Add: deposits at bank mature within three months	3,623,085	1,667,215
Net Cash and cash equivalents	3,868,890	1,956,137

(13) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors of the Company within the normal course of operations of the Company. All amounts due from related parties are considered working and no provision has been taken for them as of 30 June 2017.

Below is a summary of related parties balances and transactions during the period / year:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
<u>Statement of Financial Position Items:</u>		
Due from related parties	1,346,879	489,297
Reinsurers' payables	-	(116,319)
	For the six months ended 30 June	
	2017	2016
	JD	JD
	(Unaudited)	(Unaudited)
Written premiums	<u>2,471,181</u>	<u>1,769,229</u>

Reported outstanding claims provision and reinsurers' payable consist of the following:

	For the six months ended 30 June	
	2017	2016
	JD	JD
	(Unaudited)	(Unaudited)
Addisson Bradley International Lebanon - (Reinsurance Brokerage firm)*	<u>97,643</u>	<u>163,598</u>
	<u>97,643</u>	<u>163,598</u>

* The insurance premiums have been paid to the foreign reinsurance companies through Addisson Bradley International - Lebanon (Reinsurance Brokerage Firm) with a total amount of JD 156,618. Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 17,925.

Below is a summary of the salaries and benefits of the Executive Management of the Company:

	For the six months ended 30 June	
	2017	2016
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	144,688	144,688

(14) ANALYSIS OF MAIN SECTORS

Information about the Company's operational sectors:

Background for the company business sectors general insurance sector includes insurance on motor marine, fire and property, liability, medical and others, the sectors above also include investments and cash management for the company account the activities between the business sectors are performed based on commercial basis.

(15) LAWSUITS AGAINST THE COMPANY

The Company appears as a defendant in a number of cases. In the opinion of management and the Legal Counsel, the Company booked a provision to meet the obligations related to the cases.

(16) CONTINGENT LIABILITIES

As of the date of the interim condensed financial statements, the Company has contingent liabilities consisting of bank guarantees amounting to JD 244,717.

(17) LEGAL RESERVES

The company has made no transfers to statutory reserve as per the Companies Law as these financial statements are interim condensed financial statements.