

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2021



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

Introduction

We have reviewed the accompanying interim condensed financial statements of **THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN** (a public shareholding company) as at 31 March 2021, comprising of interim statement of financial position as at 31 March 2021 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for three-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with 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 financial statements are not prepared, in all material respects, in accordance with IAS (34).

Emphasis of a matter

Without qualifying our conclusion, we draw attention to note (16) to the interim condensed financial statements, the Company's solvency ratio reached 95.8% as of 31 March 2021, which is less than the required ratio by the Insurance Administration, which is 150%.

Amman – Jordan
16 May 2021

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	31 March 2021 JD (Unaudited)	31 December 2020 JD (Audited)
<u>Assets</u>			
Investments -			
Bank deposits	3	6,812,805	6,592,832
Investment Properties		5,224,487	5,248,903
Financial assets at fair value through other comprehensive income	4	192,101	198,344
Total Investments		12,229,393	12,040,079
Other Assets -			
Cash on hand and at banks	9	35,528	46,292
Checks under collection		4,524,161	2,960,751
Accounts receivable, net	5	5,356,600	5,707,598
Reinsurance receivables	6	568,769	638,484
Property and equipment	7	2,791,717	2,809,690
Right of use assets		15,612	16,772
Intangible assets		6,207	8,085
Other assets		197,816	330,814
Total Assets		25,725,803	24,558,565
<u>Liabilities and Equity</u>			
Liabilities			
Technical Reserves -			
Unearned premium reserve, net		7,363,969	5,732,065
Outstanding claims reserve, net		8,433,437	8,516,633
Total Technical Reserves		15,797,406	14,248,698
Other liabilities -			
Accounts payable	10	3,107,814	2,767,213
Accrued expenses		36,480	43,100
Reinsurance payables	11	1,571,129	1,932,914
Lease Obligation		15,073	15,917
Other liabilities		358,973	324,853
Total Liabilities		20,886,875	19,332,695
Equity-			
Paid in capital	1	10,000,000	10,000,000
Statutory reserve		185,899	185,899
Fair value reserve	13	(534,338)	(528,095)
Accumulated losses		(4,812,633)	(4,431,934)
Total Shareholders' Equity		4,838,928	5,225,870
Total Liabilities and Shareholders' Equity		25,725,803	24,558,565

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

		For the three months ended 31 March	
	Notes	2021 JD	2020 JD
Revenue –			
Gross written premiums		5,486,099	5,760,193
Less: local reinsurance share		74,926	33,389
Less: foreign reinsurance share		366,257	575,112
Net written premiums		5,044,916	5,151,692
Net change in unearned premiums reserve		(1,631,904)	(919,012)
Net earned premiums		3,413,012	4,232,680
Commissions income		78,004	134,391
Insurance policies issuance fees		200,544	272,134
Interest Income		70,147	84,867
Other underwriting revenues		227,031	236,328
Total revenues		3,988,738	4,960,400
Claims and related expenses			
Paid claims		3,847,090	4,742,963
Less: Recoveries		372,566	307,475
Less: reinsurance share		136,918	196,494
Paid claims, net		3,337,606	4,238,994
Net change in claims reserve		(83,196)	(452,415)
Allocated general and administrative expenses		161,350	184,776
Allocated employees' expenses		207,922	231,865
Excess of loss premium		122,224	90,666
Commissions paid		156,664	151,602
Other expenses related to policies underwriting		276,741	255,671
Net Claims		4,179,311	4,701,159
Unallocated employees' expenses		28,683	32,436
Depreciation and amortization		44,267	42,229
Right of use assets depreciation		1,160	2,912
Unallocated general and administrative expenses		38,550	45,552
Allowance for expected credit losses	5	77,466	45,000
Total expenses		190,126	168,129
(Loss) Profit for the period before tax		(380,699)	91,112
Income tax expense	8	-	-
(Loss) Profit for the period		(380,699)	91,112
		JD/Fils	JD/Fils
Basic and diluted (losses) earnings per share for the period	14	(0/0381)	0/0091

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

	For the three months ended 31 March	
	2021	2020
	JD	JD
(Loss) Profit for the period	(380,699)	91,112
Add: other comprehensive income items that will not be reclassified to profit or loss in subsequent periods		
Changes in fair value of financial assets at fair value through other comprehensive income	(6,243)	(49,945)
Total comprehensive income for the period	<u>(386,942)</u>	<u>41,167</u>

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

	Paid in capital	Statutory reserve	Fair value reserve	Accumulated Losses	Total
	JD	JD	JD	JD	JD
31 March 2021 -					
Balance at 1 January 2021	10,000,000	185,899	(528,095)	(4,431,934)	5,225,870
Total comprehensive income for the period	-	-	(6,243)	(380,699)	(386,942)
Balance at 31 March 2021	<u>10,000,000</u>	<u>185,899</u>	<u>(534,338)</u>	<u>(4,812,633)</u>	<u>4,838,928</u>
31 March2020 -					
Balance at 1 January 2020	10,000,000	185,899	(450,296)	(3,869,150)	5,866,453
Total comprehensive income for the period	-	-	(49,945)	91,112	41,167
Balance at 31 March2020	<u>10,000,000</u>	<u>185,899</u>	<u>(500,241)</u>	<u>(3,778,038)</u>	<u>5,907,620</u>

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

	For the three months ended 31 March	
Notes	2021	2020
	JD	JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
(Loss) Profit for the period before tax	(380,699)	91,112
Adjustment for non-cash items		
Depreciation and amortization	44,267	42,229
Interest on lease obligations	406	987
Depreciation of right use assets	1,160	2,912
Net change in unearned premiums reserve	1,631,904	919,012
Net change in outstanding claims reserve	(83,196)	(452,415)
Allowance for expected credit losses	5 77,466	45,000
Interest income	(70,147)	(84,867)
Cash flows from operating activities before changes in working capital	<u>1,221,161</u>	<u>563,970</u>
Reinsurance receivables	69,715	(4,586)
Checks under collection	(1,563,410)	765,656
Accounts receivable	273,532	(2,494,090)
Other assets	(30,322)	(11,055)
Accounts payable	340,601	805,933
Reinsurance payables	(361,785)	(413,171)
Other liabilities and accrued expenses	<u>27,500</u>	<u>(9,654)</u>
Net cash flows used in operating activities	<u>(23,008)</u>	<u>(796,997)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Deposits at banks maturing after three months	(4,192,352)	(3,997,362)
Purchase of property and equipment	7 -	(32,471)
Interest received	<u>233,467</u>	<u>51,941</u>
Net cash flows used in investing activities	<u>(3,958,885)</u>	<u>(3,977,892)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments of lease obligations	<u>(1,250)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(1,250)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,983,143)	(4,774,889)
Cash and cash equivalents at beginning of the period	<u>6,639,124</u>	<u>8,292,354</u>
Cash and cash equivalents at the end of the period	<u>9 2,655,981</u>	<u>3,517,465</u>

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium																
Direct insurance	1,725,930	1,902,320	111,463	127,621	-	-	354,453	511,688	37,207	47,360	3,252,194	3,156,094	4,852	15,110	5,486,099	5,760,193
Less:																
Local reinsurance share	24,667	16,411	35,557	-	-	-	14,554	15,065	-	-	-	-	148	1,913	74,926	33,389
Foreign reinsurance share	-	-	71,307	123,054	-	-	291,287	436,208	-	-	-	-	3,663	15,850	366,257	575,112
Net Written Premium	1,701,263	1,885,909	4,599	4,567	-	-	48,612	60,415	37,207	47,360	3,252,194	3,156,094	1,041	(2,653)	5,044,916	5,151,692
Add:																
Balance at the beginning of the period																
Unearned premium reserve	4,503,751	5,507,430	89,966	88,999	6,073	-	1,843,770	1,367,521	39,339	42,038	1,071,453	1,348,224	10,156	17,728	7,564,508	8,371,940
Less: reinsurance share	-	-	84,233	83,433	6,073	-	1,718,773	1,249,368	13,858	15,002	-	-	9,506	15,463	1,832,443	1,363,266
Net Unearned Premium Reserve	4,503,751	5,507,430	5,733	5,566	-	-	124,997	118,153	25,481	27,036	1,071,453	1,348,224	650	2,265	5,732,065	7,008,674
Add: Premium deficiency Reserve	-	-	-	-	-	-	-	-	-	-	-	50,000	-	-	-	50,000
Less:																
Balance at period end																
Unearned premium reserve	4,073,533	4,760,924	111,463	127,621	3,360	-	1,537,277	1,293,658	53,390	63,022	3,120,352	2,982,522	10,094	23,388	8,909,469	9,251,135
Less : Reinsurance share	-	-	106,865	123,054	3,360	-	1,417,610	1,171,595	8,624	8,574	-	-	9,041	20,226	1,545,500	1,323,449
Net Unearned Premiums Reserve	4,073,533	4,760,924	4,598	4,567	-	-	119,667	122,063	44,766	54,448	3,120,352	2,982,522	1,053	3,162	7,363,969	7,927,686
Less: Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	-	50,000	-	-	-	50,000
Net: Earned revenue from written Premiums	2,131,481	2,632,415	5,734	5,566	-	-	53,942	56,505	17,922	19,948	1,203,295	1,521,796	638	(3,550)	3,413,012	4,232,680

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	2,462,871	2,573,171	40,113	16,457	-	-	83,150	186,963	32,264	-	1,228,556	1,965,123	136	1,249	3,847,090	4,742,963
Less:																
Recoveries	346,168	291,132	-	-	-	-	18,419	2,762	-	-	7,843	13,581	136	-	372,566	307,475
Foreign reinsurance share	38,082	12,746	30,210	16,240	-	-	52,901	166,509	15,475	-	-	-	250	999	136,918	196,494
Net Paid Claims	2,078,621	2,269,293	9,903	217	-	-	11,830	17,692	16,789	-	1,220,713	1,951,542	(250)	250	3,337,606	4,238,994
Add:																
Outstanding claims reserve at period end																
Reported	7,012,578	6,286,795	280,745	279,435	-	-	768,632	711,006	43,505	51,087	532,236	734,433	220	1,170	8,637,916	8,063,926
Unreported	1,732,000	1,740,715	15,447	22,447	-	-	760	760	1,000	1,000	31,265	410,606	1,350	1,350	1,781,822	2,176,878
Less:																
Recoveries	848,566	907,085	-	-	-	-	-	-	-	-	-	-	-	-	848,566	907,085
Reinsurance share	242,758	179,534	277,067	270,017	-	-	614,326	520,757	3,375	14,404	-	-	209	969	1,137,735	985,681
Net outstanding claims reserve at year end	7,653,254	6,940,891	19,125	31,865	-	-	155,066	191,009	41,130	37,683	563,501	1,145,039	1,361	1,551	8,433,437	8,348,038
Reported	5,921,254	5,200,176	3,678	9,418	-	-	154,306	190,249	40,130	36,683	532,236	734,433	11	201	6,651,615	6,171,160
Unreported	1,732,000	1,740,715	15,447	22,447	-	-	760	760	1,000	1,000	31,265	410,606	1,350	1,350	1,781,822	2,176,878
Less:																
Outstanding claims reserve at the beginning of the period																
Reported	7,097,551	6,622,552	311,015	283,435	-	-	702,900	831,893	63,087	48,147	566,799	848,795	221	1,224	8,741,573	8,636,046
Unreported	1,732,000	1,740,715	15,447	22,447	-	-	760	760	1,000	1,000	64,951	442,267	1,350	1,350	1,815,508	2,208,539
Less:																
Recoveries	898,994	876,578	-	-	-	-	-	-	-	-	-	-	-	-	898,994	876,578
Reinsurance share	263,456	214,558	292,897	277,537	-	-	570,488	662,819	14,405	11,630	-	-	208	1,011	1,141,454	1,167,555
Net Outstanding claims reserve at the beginning of the period	7,667,101	7,272,131	33,565	28,345	-	-	133,172	169,834	49,682	37,517	631,750	1,291,062	1,363	1,563	8,516,633	8,800,452
Net Claims Cost	2,064,774	1,938,053	(4,537)	3,737	-	-	33,724	38,867	8,237	166	1,152,464	1,805,519	(252)	238	3,254,410	3,786,580

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING (LOSS) PROFIT FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2021 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	2,131,481	2,632,415	5,734	5,566	-	-	53,942	56,505	17,922	19,948	1,203,295	1,521,796	638	(3,550)	3,413,012	4,232,680
Less:																
Net claims cost	2,064,774	1,938,053	(4,537)	3,737	-	-	33,724	38,867	8,237	166	1,152,464	1,805,519	(252)	238	3,254,410	3,786,580
Add:																
Commissions received	-	-	27,264	22,157	-	-	49,813	107,347	-	-	-	-	927	4,887	78,004	134,391
Insurance policies issuance fees	52,612	72,473	1,026	42,700	-	-	63,648	78,054	3,517	2,441	79,515	71,067	226	5,399	200,544	272,134
Other underwriting revenues	130,360	24,015	-	20,897	-	-	-	69,442	-	-	96,671	121,974	-	-	227,031	236,328
Total revenue	249,679	790,850	38,561	87,583	-	-	133,679	272,481	13,202	22,223	227,017	(90,682)	2,043	6,498	664,181	1,088,953
Less:																
Commissions paid	56,870	66,339	409	2,350	-	-	7,218	18,986	510	1,929	90,953	59,864	704	2,134	156,664	151,602
Excess of loss premium	63,115	62,150	9,383	1,014	-	-	49,726	27,502	-	-	-	-	-	-	122,224	90,666
Allocated general and administrative expenses	142,230	156,567	11,141	13,367	-	-	42,162	55,749	1,854	2,565	171,643	188,984	242	818	369,272	418,050
Other expenses	1,288	552	9,356	48	-	-	-	13,637	-	-	266,097	243,342	-	(1,908)	276,741	255,671
Total Expenses	263,503	285,608	30,289	16,779	-	-	99,106	115,874	2,364	4,494	528,693	492,190	946	1,044	924,901	915,989
Underwriting (loss) profit	(13,824)	505,242	8,272	70,804	-	-	34,573	156,607	10,838	17,729	(301,676)	(582,872)	1,097	5,454	(260,720)	172,964

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

(1) GENERAL

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

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

The interim condensed financial statements were approved by the Board of Directors in 5 May 2021.

(2) Basis of preparation

The interim condensed financial statements as of 31 March 2021 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 2020. In addition, the results for the three months ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

(2-1) Changes in accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020 except for the adoption of new standard effective as of 1 January 2021 shown below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2021

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

(3) BANK DEPOSITS

This item represents the following:

	31 March 2021				31 December 2020
	Deposits	Deposits	Deposits	Total	
	mature within	mature during a	mature after 3		
	a month	period from 1 to	months and		
		3 months*	before 1 year**		
	JD	JD	JD	JD	JD
				(Unaudited)	(Audited)
Inside Jordan	-	2,620,453	4,192,352	6,812,805	6,592,832

* This item represents deposits in Jordanian Dinar in Jordanian banks as of 31 March 2021 at an average interest rate 4% and mature within three months (31 December 2020: deposits in Jordanian Dinar of 6,592,832 with an interest rate that ranges between 4.35% and 5.9% and mature within three months).

** This item represents deposits in Jordanian Dinar in Jordanian banks as of 31 March 2021 at an average interest rate ranges between 3.25 % and 4.75% and mature within a period of more than 3 months and less than a year (31 December 2020 :Nil).

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

This item consists of the following:

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Quoted shares in Amman Stock Exchange	192,101	198,344

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2021

(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Policy holders*	8,320,533	8,597,843
Due from sister companies (Note 12)	6,918	6,918
Employees' receivables	4,725	947
Other	1,585	1,585
	8,333,761	8,607,293
Less: Allowance for expected credit losses**	2,977,161	2,899,695
	5,356,600	5,707,598

* This item includes written premiums receivables from AlManaseer Group (Primary shareholder) by JD 3,449,057 as of 31 March 2021 (31 December 2020: JD 3,822,358) (Note 12).

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

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	2,899,695	1,482,348
Allowance for the period/ year	77,466	1,417,347
Balance at the end of the period/ year	2,977,161	2,899,695

(6) REINSURANCE RECEIVABLES

This item consists of the following:

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	338,910	318,667
Foreign reinsurance companies	269,859	359,817
	608,769	678,484
Less: Allowance for expected credit losses	40,000	40,000
	568,769	638,484

(7) PROPERTIES AND EQUIPMENT

During the three months period ended in 31 March 2021, the Company did not purchase property and equipment for the Company (31 March 2020: The Company purchased property and equipment of JD 32,471).

(8) INCOME TAX

No provision for income tax was calculated for the period ended 31 March 2021 and 2020 due to the excess of expenses over taxable income in accordance with the Income Tax Law No. (38) of 2018 and its amendments.

Income Tax

Final settlement was reached with the Income and Sales Tax Department up to 2016.

The Company filed its tax declaration for the years 2020,2019,2018 and 2017 which have not been reviewed by the Income and Sales Tax Department and no final decision was made.

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

Sales Tax

Final settlement was reached with the Income and Sales Tax Department up to 31 January 2017.

(9) CASH AND CASH EQUIVALENTS

This item consists of the following:

	31 March 2021 JD (Unaudited)	31 December 2020 JD (Audited)
Cash on hand	1,515	700
Cash at banks	34,013	45,592
	<u>35,528</u>	<u>46,292</u>

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2021

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

	31 March 2021	31 March 2020
	JD	JD
	(Unaudited)	(Unaudited)
Cash on hand and bank balances	35,528	14,295
Plus: Deposits at banks that mature within three months (Note 3)	2,620,453	3,503,170
Cash and cash equivalents	2,655,981	3,517,465

(10) ACCOUNTS PAYABLE

This item consists of the following:

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Due to sister companies (Note 12)	7,291	13,807
Policy holders	1,077,481	1,064,878
Medical network payables	1,629,862	1,178,307
Other payables	393,180	510,221
	3,107,814	2,767,213

(11) REINSURANCE PAYABLES

This item consists of the following:

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies*	488,973	840,994
Foreign reinsurance companies*	1,082,156	1,091,920
	1,571,129	1,932,914

This item includes payables due to related parties of JD 834,263 as of 31 March 2021 (31 December 2020: JD 833,469) (Note 12).

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2021

(12) RELATED PARTY TRANSACTIONS

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

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

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

	31 March 2021 JD (Unaudited)	31 December 2020 JD (Audited)
Due from related parties' items -		
Due from related parties – Manaseer Group (Note 5) (Primary Shareholder)	3,449,057	3,822,358
The Mediterranean and Gulf Insurance company – Bahrain (note 5) *(Sister Company)	6,918	6,918
Checks under collection – Manaseer Group (Primary Shareholder)	3,664,139	2,169,061
	<u>7,120,114</u>	<u>5,998,337</u>
Due to related parties' item -		
Addison Bradley International Lebanon (Sister Company) * (Note 11)	634,663	633,869
Addison Bradley Jordan (Sister Company) (Note 10)	7,291	13,807
Medivisa Company – Jordan (Sister Company) (Note 11)	199,600	199,600
	<u>841,554</u>	<u>847,276</u>

* The insurance premiums have been paid to the foreign reinsurance companies through Addison Bradley International - Lebanon (Reinsurance Brokerage Firm) with a total amount of JD 70,085 for the period ended 31 March 2021 (31 December 2020: JD 397,210). Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 4,197 for the period ended 31 March 2021 (31 December 2020: JD 45,123).

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

	31 March 2021 JD (Unaudited)	31 March 2020 JD (Unaudited)
Written premiums – Al Manseer Group (Primary Shareholder)	<u>3,034,709</u>	<u>3,201,069</u>

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2021

	31 March 2021	31 March 2020
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	61,500	62,650

(13) FAIR VALUE RESERVE

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

	31 March 2021	31 December 2020
	JD	JD
	(Unaudited)	(Audited)
Balance at beginning of the period/ year	(528,095)	(450,296)
Change in fair value during the period/ year	(6,243)	(77,799)
Balance at the end of the period/ year	(534,338)	(528,095)

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

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

	31 March 2021	31 March 2020
	JD	JD
	(Unaudited)	(Unaudited)
(Loss) Profit for the period (JD)	(380,699)	91,112
Weighted average number of shares (share)	10,000,000	10,000,000
	JD/ Fils	JD/ Fils
Basic and diluted (loss) profit per share for the period	(0/0381)	0/0091

(15) ANALYSIS OF MAIN SECTORS

A. Information about the Company's operational sectors:

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

B. Information about the geographical distribution:

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

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

	Inside Jordan		Outside Jordan		Total	
	31 March		31 March		31 March	
	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total revenue	3,910,734	4,826,009	78,004	134,391	3,988,738	4,960,400

	Inside Jordan		Outside Jordan		Total	
	31 March	31 December	31 March	31 December	31 March	31 December
	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Total assets	25,725,803	24,558,565	-	-	25,725,803	24,558,565

(16) MANAGEMENT OF CAPITAL

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

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

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2021

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

	31 March 2021 JD (Unaudited)	31 December 2020 JD (Audited)
Total available capital	<u>5,250,746</u>	<u>5,225,870</u>
Capital requirements		
Capital requirement against asset risks	3,175,128	2,869,771
Capital requirement against underwriting liabilities	2,286,832	2,260,161
Capital requirement against the reinsurance risk	<u>19,903</u>	<u>5,044</u>
Total required capital	<u>5,481,863</u>	<u>5,134,976</u>
Solvency margin ratio	<u>95,8%</u>	<u>101,8%</u>

The company's solvency ratio reached 95,8% as of 31 March 2021, which is less than the ratio determined by the Insurance Administration, which is 150%.

(17) LAWSUITS AGAINST THE COMPANY

The company is defendant in a number of cases amounted to JD 2,990,590 as of 31 March 2021 (31 December 2020: 3,028,262). In the opinion of the Company's management and its legal counsel, the company booked enough provision to meet the obligations related to these cases.

(18) CONTINGENT LIABILITIES

On the date of the interim condensed financial statements, the Company has potential liabilities related to bank guarantees of JD 44,340 with cash margins of JD 4,434 (31 December 2020: JD 119,678 with cash margins of JD 11,969).

(19) 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.

(20) CORONAVIRUS SPREAD (COVID – 19) AND ITS IMPACT ON THE COMPANY

As a result of the continued impact of the Corona virus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and measures imposed by the Jordanian Government and neighboring countries and the rest of the world, it is possible that operational activities may be affected by global developments that currently affect various economic and geographical sectors.

The company's management regularly monitors the company's activities and the risk that may result from COVID-19 pandemic including primary monitoring the company's need for cash liquidity and monitoring accounts receivable levels through ensuring sufficient levels of provisions for expected credit loss.

The COVID-19 pandemic has not resulted in a material impact on the company's activities, including gross written premiums and paid claims. The Company's management believes that it maintains the necessary liquidity to meet its obligations on maturity for a period of at least one year from the date of these interim condensed financial statements.