

التاريخ: 2019/08/19 م.
1073/M2019/FE/LET/MAQ

السادة: بورصة عمان المحترمين .

الموضوع: البيانات المالية للربع الثاني 2019 باللغة الإنجليزية

بعد التحية،،،

نرفق لكم البيانات المالية للربع الثاني من عام 2019 باللغة الإنجليزية
والموافق عليها من قبل مجلس الإدارة

وتفضلوا فائق الاحترام

شركة المتوسط والخليج للتأمين - الأردن

"محمد الأمين" أبوقورة
المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان

١٩ آب ٢٠١٩

٤٥٥٥

الرقم التسلسل: 21032
رقم الملف:
الجهة المختصة:

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2019



Building a better
working world

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**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 2019, comprising of interim statement of financial position as of 30 June 2019 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 the Bank 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 Matters

- As disclosed in note (7) in the financial statements, assets held for sale comprise of a building and a land in Al-Abdali with a net book value of JD 7,883,791 as at 30 June 2019. The construction of the building has been discontinued since the year 2011 and the Company did not capitalize it. The building and the land have been classified as assets held for sale in accordance with International Financial Reporting Standard No. (5) based on a work plan presented by the management, which includes the sale of the building and the land, that was approved in the board of directors' meeting held on 15 February 2018. The building and the land have not been sold till the date of the interim condensed financial statement.
- The Company's solvency ratio reached 44.6% as of 30 June 2019, less than the ratio determined by the Insurance Administration, 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 Administration's approval.

Amman – Jordan
30 July 2019

Ernst + Young

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Notes	30 June 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Assets			
Investments-			
Bank deposits	3	7,259,383	8,766,365
Financial assets at fair value through other comprehensive income	4	287,669	298,233
Total Investments		7,547,052	9,064,598
Other Assets -			
Cash on hands and at banks	9	210,994	107,005
Checks under collection		4,368,834	5,271,959
Accounts receivable, net	5	6,465,861	3,242,701
Reinsurance receivables	6	406,838	390,034
Property and equipment		129,882	148,196
Assets held for sale	7	7,883,791	7,883,791
Right of use assets		412,418	-
Intangible assets		30,796	39,302
Other assets		159,614	325,218
Total Assets		27,616,080	26,472,804
Liabilities and Equity			
Liabilities -			
Insurance Contract Liabilities			
Unearned premium reserve, net		8,173,084	7,217,528
Premium deficiency reserve, net		143,000	245,000
Outstanding claims reserve, net		7,952,429	7,603,815
Total Insurance Contract Liabilities		16,268,513	15,066,343
Other liabilities			
Accounts payable	10	2,458,145	2,875,818
Accrued expenses		58,897	86,926
Reinsurance payables	11	2,374,566	2,381,639
Lease liability		383,926	-
Other liabilities		315,501	304,669
Total Liabilities		21,859,548	20,715,395
Equity-			
Paid in capital	1	10,000,000	10,000,000
Statutory reserve		172,786	172,786
Fair value reserve	13	(438,770)	(428,206)
Accumulated losses		(3,977,484)	(3,987,171)
Total Equity		5,756,532	5,757,409
Total Liabilities and Equity		27,616,080	26,472,804

The attached notes 1 to 19 form part of these interim condensed financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2019 JD	2018 JD	2019 JD	2018 JD
Revenue –					
Gross written premiums		4,387,996	3,938,136	9,725,106	9,111,684
Less: local reinsurance share		77,807	15,566	148,021	357,976
Less: foreign reinsurance share		338,813	333,324	840,861	898,951
Net written premiums		3,971,376	3,589,246	8,736,224	7,854,757
Net change in unearned premiums provision		90,948	537,521	(955,556)	296,154
Net change in premium deficiency reserve		102,000	-	102,000	-
Net earned premiums		4,164,324	4,126,767	7,882,668	8,150,911
Commissions income		90,961	49,153	239,262	226,949
Insurance policies issuance fees		254,114	142,814	650,591	446,027
Interest income		82,552	136,876	189,624	250,386
Other underwriting revenue		113,631	62,303	222,140	180,464
Other revenues		10	12,613	34	12,613
Gain from financial assets and investments	14	21,998	19,594	21,998	19,594
Gain from sale of property and equipment		-	75	-	75
Total revenues		4,727,590	4,550,195	9,206,317	9,287,019
Claims and related expenses					
Paid claims		3,890,697	4,281,218	7,630,640	8,762,251
Less: Recoveries		96,421	261,662	572,383	631,742
Less: Reinsurance share		87,172	343,670	186,640	462,915
Paid claims, net		3,707,104	3,675,886	6,871,617	7,667,594
Net change in claims reserve		131,824	26,462	348,614	(24,878)
Allocated general and administrative expenses		213,830	273,896	439,150	549,525
Allocated employees' expenses		261,668	345,114	483,716	653,983
Excess of loss premium		95,093	62,187	163,327	175,349
Policies acquisition costs		153,158	109,716	358,866	279,799
Other expenses		87,841	93,398	249,526	168,769
Net Claims		4,650,518	4,586,659	8,914,816	9,470,141
Unallocated employees' expenses		29,642	45,420	57,048	89,766
Depreciation and amortization		13,471	14,735	26,820	29,812
Unallocated general and administrative expenses		52,740	59,429	107,946	118,831
Provision for expected credit losses	5	45,000	-	90,000	-
Total expenses		140,853	119,584	281,814	238,409
Profit (Loss) for the period before income tax		(63,781)	(156,048)	9,687	(421,531)
Income tax expenses		-	-	-	-
Profit (Loss) for the period		(63,781)	(156,048)	9,687	(421,531)
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (loss) per share for the period	15	(0/006)	(0/016)	0/001	(0/042)

The attached notes 1 to 19 form part of these interim condensed financial statements

**E MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	JD	JD	JD	JD
Profit (Loss) for the period	(63,781)	(156,048)	9,687	(421,531)
Add: other comprehensive income items not to be reclassified to profit and loss in subsequent periods, net of tax				
Changes in fair value of financial assets at fair value through other comprehensive income	(19,688)	5,762	(10,564)	62,430
Total comprehensive income for the period	(83,469)	(150,286)	(877)	(359,101)

The attached notes 1 to 19 form part of these interim condensed financial statements

**THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	<u>Paid in capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve</u>	<u>Accumulated Losses</u>	<u>Total</u>
	JD	JD	JD	JD	JD
30 June 2019 -					
Balance at 1 January 2019	10,000,000	172,786	(428,206)	(3,987,171)	5,757,409
Total comprehensive income for the period	-	-	(10,564)	9,687	(877)
Balance at 30 June 2019	<u>10,000,000</u>	<u>172,786</u>	<u>(438,770)</u>	<u>(3,977,484)</u>	<u>5,756,532</u>
30 June 2018 -					
Balance at 1 January 2018	10,000,000	169,213	(457,500)	(3,519,327)	6,192,386
Total comprehensive income for the period	-	-	62,430	(421,531)	(359,101)
Balance at 30 June 2018	<u>10,000,000</u>	<u>169,213</u>	<u>(395,070)</u>	<u>(3,940,858)</u>	<u>5,833,285</u>

The attached notes 1 to 19 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 SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	Note	30 June 2019 JD	30 June 2018 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (Loss) for the period before income tax		9,687	(421,531)
Adjustment for non-cash items:			
Depreciation and amortization		26,820	29,812
Interest on lease liability		20,478	-
Depreciation on right use assets		47,880	-
Unearned premium provision, net		955,556	(296,154)
Premium deficiency provision, net		(102,000)	-
Outstanding claims provision, net		348,614	(24,878)
Interest income		(189,624)	(250,386)
Gain from sale of property and equipment		-	(75)
Provision for expected credit losses		90,000	-
Gain from financial assets and investments		(21,998)	(19,594)
Cash flows from (used in) operating activities before changes in working capital		1,185,413	(982,806)
Checks under collection		903,125	437,875
Accounts receivable		(3,313,160)	(893,669)
Reinsurance receivables		(16,804)	98,733
Other assets		132,941	38,419
Accounts payable		(417,673)	659,201
Reinsurance payables		(7,073)	31,618
Paid lease liability		(64,187)	-
Other liabilities and accrued expenses		(17,197)	31,716
Net cash flows used in operating activities		(1,614,615)	(578,913)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received		189,624	250,386
Deposits at banks maturing after three months		2,783,114	(1,708,311)
Purchase of assets held for sale		-	(57,780)
Purchase of intangible assets		-	(2,478)
Purchase of property and equipment		-	(1,072)
Dividends received		21,998	19,594
Net cash flows from (used in) investing activities		2,994,736	(1,499,661)
Net increase (decrease) in cash and cash equivalents		1,380,121	(2,078,574)
Cash and cash equivalents at beginning of the period		3,919,390	3,941,329
Cash and cash equivalents at the end of the period	9	5,299,511	1,862,755

The attached notes 1 to 19 form part of these interim condensed financial statements

**INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premiums:														
Direct insurance	5,593,804	5,290,286	226,306	272,743	765,999	1,123,966	65,423	116,975	3,054,793	2,291,115	18,781	16,579	9,725,106	9,111,684
Less:														
Local reinsurance share	129,085	-	-	3,737	13,314	345,673	-	-	-	-	5,622	8,566	148,021	357,976
Foreign reinsurance share	-	-	191,494	230,800	628,840	646,320	9,976	15,419	-	-	10,551	6,412	840,861	898,951
Net Written Premiums	5,464,719	5,290,286	34,812	38,206	123,845	131,993	55,447	101,556	3,054,793	2,291,115	2,608	1,601	8,736,224	7,854,757
Add:														
Balance at the beginning of the period														
Unearned premium provision	5,071,655	5,243,971	85,901	201,071	1,407,023	1,263,751	33,207	60,110	1,999,255	2,112,482	15,832	22,709	8,612,933	8,924,094
Less: reinsurance share	-	-	82,008	191,878	1,285,918	1,142,606	13,577	36,911	-	-	13,902	19,375	1,395,405	1,390,770
Net Unearned Premiums Provision	5,071,655	5,243,971	3,893	9,193	121,105	141,145	19,630	23,199	1,999,255	2,112,482	1,990	3,334	7,217,528	7,533,324
Add: Premium deficiency reserve	-	-	-	-	-	-	-	-	245,000	161,000	-	-	245,000	161,000
Less:														
Balance at the end of the period														
Unearned premium provision	5,513,446	5,301,136	83,582	100,316	979,185	1,048,928	46,962	79,499	2,494,030	1,741,216	17,838	15,998	9,135,043	8,287,093
Less: Reinsurance share	-	-	75,456	91,689	860,824	925,212	10,008	18,949	-	-	15,671	14,073	961,959	1,049,923
Net Unearned Premiums provision	5,513,446	5,301,136	8,126	8,627	118,361	123,716	36,954	60,550	2,494,030	1,741,216	2,167	1,925	8,173,084	7,237,170
Less: Premium deficiency reserve	-	-	-	-	-	-	-	-	143,000	161,000	-	-	143,000	161,000
Net: Earned revenue from written Premiums	5,022,928	5,233,121	30,579	38,772	126,569	149,422	38,123	64,205	2,662,018	2,662,381	2,431	3,010	7,882,668	8,150,911

The attached notes 1 to 19 form part of these interim condensed financial statements

**INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	4,624,664	5,186,143	28,892	8,635	55,063	453,344	4,020	12,747	2,907,449	3,098,995	10,552	2,387	7,630,640	8,762,251
Less:														
Recoveries	531,118	551,057	-	-	11,142	7,525	-	-	30,123	72,980	-	180	572,383	631,742
Foreign reinsurance share	120,725	56,101	23,842	8,593	33,631	396,457	-	-	-	-	8,442	1,764	186,840	462,915
Net Paid Claims	3,972,821	4,578,985	5,050	42	10,290	49,362	4,020	12,747	2,877,326	3,026,015	2,110	443	6,871,617	7,667,594
Add:														
Outstanding Claims provision at the end of the period														
Reported	5,919,046	6,116,780	272,482	258,540	1,262,134	1,168,522	49,937	20,350	666,137	726,661	2,715	246	8,172,451	8,291,099
Unreported	1,901,062	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	390,863	229,153	1,000	1,000	2,303,925	2,241,153
Less:														
Recoveries	826,003	865,701	-	-	-	-	-	-	-	-	-	-	826,003	865,701
Reinsurance share	313,717	231,883	267,921	254,981	1,101,869	1,024,516	12,230	2,675	-	-	2,207	229	1,697,944	1,514,284
Net Outstanding Claims provision at the end of the period	6,680,388	7,019,196	6,561	5,559	168,265	152,006	38,707	18,675	1,057,000	955,814	1,508	1,017	7,952,429	8,152,267
Reported	4,775,326	5,019,196	4,561	3,559	160,265	144,006	37,707	17,675	666,137	726,661	508	17	5,648,504	5,911,114
Unreported	1,901,062	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	390,863	229,153	1,000	1,000	2,303,925	2,241,153
Less:														
Outstanding Claims provision at the beginning of the period														
Reported	5,948,135	6,016,851	272,640	258,540	959,849	1,007,854	42,453	32,531	582,981	640,000	359	2,044	7,906,417	7,957,820
Unreported	1,813,462	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	327,334	260,000	1,000	1,000	2,152,796	2,272,000
Less:														
Recoveries	920,631	677,128	-	-	-	-	-	-	-	-	-	-	920,631	677,128
Reinsurance share	348,496	266,333	264,996	254,981	815,545	849,890	5,410	2,675	-	-	320	1,668	1,434,767	1,375,547
Net Outstanding Claims provision at the beginning of the period	6,492,470	7,073,390	9,644	5,559	152,304	165,964	38,043	30,856	910,315	900,000	1,039	1,376	7,603,815	8,177,145
Net Claims Cost	4,160,739	4,524,791	1,967	42	26,251	35,404	4,684	566	3,024,011	3,081,829	2,579	84	7,220,231	7,642,716

The attached notes 1 to 19 form part of these interim condensed financial statements

**INTERIM STATEMENT OF UNDERWRITING LOSS FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	5,022,928	5,233,121	30,579	38,772	126,589	149,422	38,123	64,205	2,662,018	2,662,381	2,431	3,010	7,882,668	8,150,911
Less:														
Net claims cost	4,160,739	4,524,791	1,967	42	26,251	35,404	4,684	566	3,024,011	3,081,829	2,579	84	7,220,231	7,642,716
Add:														
Commissions income	-	-	65,751	100,731	168,385	120,500	1,805	3,694	-	-	3,321	2,024	239,262	226,949
Insurance policies issuance fees	254,639	133,446	59,410	60,881	97,393	72,016	2,908	3,252	229,113	171,838	7,128	4,594	650,591	446,027
Other underwriting revenue	70,161	73,217	18,127	20,255	-	29,354	-	-	133,852	57,638	-	-	222,140	180,464
Total revenue	1,186,989	914,993	171,900	220,597	366,116	335,888	38,152	70,585	972	(189,972)	10,301	9,544	1,774,430	1,361,635
Less:														
Policies acquisition costs	219,566	185,991	2,120	5,832	24,399	25,950	3,254	2,164	107,166	58,646	2,361	1,216	358,866	279,799
Excess of loss premium	101,098	99,821	6,087	10,871	56,142	64,657	-	-	-	-	-	-	163,327	175,349
Allocated general and administrative expenses	523,976	701,082	30,313	40,031	112,505	161,931	4,440	10,712	250,358	288,234	1,274	1,518	922,866	1,203,506
Other expenses	3,470	11,272	1,282	376	3,001	2,409	-	-	241,613	153,392	160	1,320	249,526	168,769
Total Expenses	848,110	998,166	39,802	57,110	196,047	254,947	7,694	12,876	599,137	500,272	3,795	4,054	1,694,585	1,827,425
Underwriting profit (loss)	338,879	(83,173)	132,098	163,487	170,069	80,941	30,458	57,709	(598,165)	(690,244)	6,506	5,490	79,845	(465,790)

The attached notes 1 to 19 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, medical and motor.

The interim financial statements were approved by the Board of Directors in 30 July 2019.

(2) Basis of preparation

The interim condensed financial statements as of 30 June 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

The interim condensed financial statements have been prepared on historical cost 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 2018. In addition, the results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019:

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2019

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 2018 except for the adoption of new standards effective as of 1 January 2019 shown below:

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 2019 accordingly, prior year financial statements were not restated. 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. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
	(Unaudited)
Non-current assets -	
Right of use assets	427,635
Non-current liabilities	
Operating lease liabilities	(427,635)
Total equity	<u><u>-</u></u>

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of plant, equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

• *Leases previously accounted for as operating leases*

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

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<u>JD</u>
Operating lease commitments as at 31 December 2018	523,453
Weighted average incremental borrowing rate as at 1 January 2019	8.5%
Discounted operating lease commitments at 1 January 2019	427,635
Less: Commitments relating to short-term leases	-
Less: Commitments relating to low-value assets	-
Lease liabilities as at 1 January 2019	<u><u>427,635</u></u>

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b) Amounts recognised in the interim condensed statement of financial position and interim condensed statement of comprehensive income

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	<u>Right to use asset – Offices</u>	<u>Lease liabilities</u>
	JD	JD
At 1 January 2019	460,298	427,635
Depreciation	(47,880)	-
Interest expense	-	20,478
Payments	-	(64,187)
At 30 June 2019 (Unaudited)	<u>412,418</u>	<u>383,926</u>

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. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

These amendments do not have any impact on the, Company's interim condensed financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Company's interim condensed financial statements

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict 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. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Company's interim condensed financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in statement of income.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

These amendments do not have any impact on the Company's interim condensed financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Company's interim financial statements.

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(3) BANK DEPOSITS

This item represents the following:

	30 June 2019				31 December 2018
	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 (Unaudited)	
Inside Jordan	1,711,485	3,377,032	2,170,866	7,259,383	8,766,365 (Audited)

Interest rates on bank deposit balances in Jordanian Dinar range from (5% to 5.75%) during the period ended 30 June 2019.

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

This item consists of the following:

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Quoted shares in Amman Stock Exchange	287,669	298,233

(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Policy holders	7,771,106	4,470,703
Due from sister companies (note 12)	6,918	6,918
Employees' receivables	10,264	11,369
Other	19,921	10,379
	7,808,209	4,499,369
Less: Provision for expected credit losses*	1,342,348	1,256,668
	6,465,861	3,242,701

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* Movements on the provision for expected credit losses consist of the following:

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	1,256,668	796,668
IFRS (9) implementation impact	-	500,000
Adjusted balance at the beginning of the period/ year	1,256,668	1,296,668
Additions	90,000	-
Reversal of provision	-	(40,000)
Write off	(4,320)	-
Balance at the end of the period / year	<u>1,342,348</u>	<u>1,256,668</u>

(6) REINSURANCE RECEIVABLES, NET

This item consists of the following:

	30 June 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Local insurance companies	352,543	357,464
Foreign reinsurance companies	94,295	72,570
	<u>446,838</u>	<u>430,034</u>
Less: Provision for expected credit losses	40,000	40,000
	<u>406,838</u>	<u>390,034</u>

(7) ASSETS HELD FOR SALE

The Board of Directors approved in their meeting held 15 February 2018 a work plan presented by the management, which includes the sale of a building and a land owned by the Company in Al-Abdali with a net book value of JD 7,883,791 as at 30 June 2019. Accordingly, the building and the land have been classified as assets held for sale in accordance with International Financial Reporting Standard No. (5).

(8) INCOME TAX

No provision for income tax was calculated for the period ended 30 June 2019 and 2018 due to the excess of expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014.

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 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

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

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Cash on hand and at banks	210,994	107,005
Add: bank deposits	7,259,383	8,766,365
Less: deposits at bank mature after three months	2,170,866	4,953,980
Net Cash and cash equivalents	5,299,511	3,919,390

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(10) ACCOUNTS PAYABLE

This item consists of the following:

	<u>30 June 2019</u>	<u>31 December 2018</u>
	JD	JD
	(Unaudited)	(Audited)
Due to a sister company (note 12)	272,689	375,068
Policy holders	611,898	1,363,163
Medical network payables	1,110,997	716,413
Others	462,561	421,174
	<u>2,458,145</u>	<u>2,875,818</u>

(11) REINSURANCE PAYABLES

This item consists of the following:

	<u>30 June 2019</u>	<u>31 December 2018</u>
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	497,823	546,776
Foreign reinsurance companies	1,876,743	1,834,863
	<u>2,374,566</u>	<u>2,381,639</u>

(12) 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 2019.

The Company's management determines the pricing policy and conditions related to these transactions.

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

	30 June 2019 <u>JD</u> (Unaudited)	31 December 2018 <u>JD</u> (Audited)
<u>Statement of Financial Position Items:</u>		
Due from related parties' items -		
Due from related parties	2,402,598	970,600
The Mediterranean and Gulf Insurance company – Bahrain (note 5)	6,918	6,918
Checks under collection	<u>3,207,513</u>	<u>4,707,343</u>
	<u>5,617,029</u>	<u>5,684,861</u>
Due to related party item -		
Addison Bradley International Lebanon – (Reinsurance Brokerage firm)*	446,749	481,925
Addison Bradley Jordan	199,600	199,600
Medivisa Company – Jordan (Note 10)	<u>272,689</u>	<u>375,068</u>
	<u>919,038</u>	<u>1,056,593</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 165,789 for the period ended 30 June 2019 (2018: JD 144,590). Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 15,430 for the period ended 30 June 2019 (2018: JD 15,684).

	For the six months ended 30 June	
	<u>2019</u> <u>JD</u> (Unaudited)	<u>2018</u> <u>JD</u> (Unaudited)
<u>Income Statement Items:</u>		
Written premiums	<u>2,479,647</u>	<u>2,401,671</u>

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

	For the six months ended 30 June	
	<u>2019</u> <u>JD</u> (Unaudited)	<u>2018</u> <u>JD</u> (Unaudited)
Salaries and benefits	<u>118,550</u>	<u>104,936</u>

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(13) FAIR VALUE RESERVE

This item consists of the following:

	30 June 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at beginning of the period	(428,206)	(457,500)
Change in fair value during the period	(10,564)	29,294
Balance at end of the period	(438,770)	(428,206)

(14) GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	For the six months Ended 30 June	
	2019	2018
	JD	JD
	(Unaudited)	(Unaudited)
Dividends income	21,998	19,594

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

Earnings per share are calculated by dividing the profit (loss) 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	
	2019	2018	2019	2018
	JD/ Fils	JD/ Fils	JD/ Fils	JD/ Fils
Profit (Loss) for the period (Dinar)	(63,781)	(156,048)	9,687	(421,531)
Weighted average number of shares (share)	10,000,000	10,000,000	10,000,000	10,000,000
Basic and diluted earnings (loss) per share for the period	(0/006)	(0/016)	0/001	(0/042)

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(16) ANALYSIS OF MAIN SECTORS

A. 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.

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	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	JD	JD	JD	JD	JD	JD
Total revenue	9,206,317	9,060,070	-	226,949	9,206,317	9,287,019
Capital expenditures	-	61,330	-	-	-	61,330

	Inside Jordan		Outside Jordan		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	JD	JD	JD	JD	JD	JD
Total assets	27,616,080	26,472,804	-	-	27,616,080	26,472,804

(17) 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.

(18) CONTINGENT LIABILITIES

As of the date of the interim condensed financial statements, the Company has contingent liabilities consisting of bank guarantees amounting to JD 174,562.

(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.