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THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2019



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 of 31 March 2019, comprising of interim statement of financial position as of 31 March 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.

Basis of qualified conclusion

As disclosed in note (7) in the financial statements, assets held for sale comprise of a building and a land in Al-Abdali (new building of the Company) with a net book value of JD 7,883,791 as at 31 March 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 did not provide us with an updated plan in regard to the matter nor an impairment study for the value of the building and the land (if any).

Qualified conclusion

Based on our review, except for the effect of the matter described in the basis of qualified conclusion paragraph, 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

The Company's solvency ratio reached 46.4% as of 31 March 2019, which is less than the ratio determined by the Insurance Administration, which is 150%.

Explanatory Paragraph

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
7 May 2019

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	<u>Notes</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
		<u>JD</u>	<u>JD</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>
Assets			
Investments -			
Bank deposits	3	7,124,845	8,766,365
Financial assets at fair value through other comprehensive income	4	289,109	298,233
Total Investments		<u>7,413,954</u>	<u>9,064,598</u>
Other Assets -			
Cash on hands and at banks	9	1,322,356	107,005
Checks under collection		3,999,477	5,271,959
Accounts receivable, net	5	5,497,496	3,242,701
Reinsurance receivables	6	409,312	390,034
Property and equipment		139,053	148,196
Assets held for sale	7	7,883,791	7,883,791
Right of use assets		436,624	-
Intangible assets		35,096	39,302
Other assets		312,479	325,218
Total Assets		<u>27,449,638</u>	<u>26,472,804</u>
Liabilities and Equity			
Liabilities -			
Insurance Contract Liabilities			
Unearned premium reserve, net		8,264,032	7,217,528
Outstanding claims reserve, net		7,820,605	7,603,815
Premium deficiency reserve, net		245,000	245,000
Total Insurance Contract Liabilities		<u>16,329,637</u>	<u>15,066,343</u>
Other liabilities -			
Accounts payable	10	2,098,801	2,875,818
Accrued expenses		58,617	86,926
Reinsurance payables	11	2,385,522	2,381,639
Lease liability		404,162	-
Other liabilities		351,146	304,669
Total Liabilities		<u>21,627,885</u>	<u>20,715,395</u>
Equity -			
Paid in capital		10,000,000	10,000,000
Statutory reserve		172,786	172,786
Fair value reserve	13	(437,330)	(428,206)
Accumulated losses		(3,913,703)	(3,987,171)
Net Equity		<u>5,821,753</u>	<u>5,757,409</u>
Total Liabilities and Equity		<u>27,449,638</u>	<u>26,472,804</u>

The attached notes 1 to 17 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 2019 (UNAUDITED)

	Notes	For the three months ended 31 March	
		2019	2018
		JD	JD
Revenue –			
Gross written premiums		5,337,110	5,173,548
Less: local reinsurers' share		70,214	342,410
Less: foreign reinsurers' share		502,048	565,627
Net written premiums		4,764,848	4,265,511
Net change in unearned premiums reserve		(1,046,504)	(241,367)
Net earned premiums		3,718,344	4,024,144
Commissions income		148,301	177,796
Insurance policies issuance fees		396,477	303,213
Interest Income		107,072	113,510
Other underwriting revenues		108,509	118,161
Other revenues			
Gain from sale of property and equipment		24	-
Total revenues		4,478,727	4,736,824
Claims, losses and expenses			
Paid claims		3,739,943	4,481,033
Less: Recoveries		475,962	370,080
Less: Reinsurers' share		99,468	119,245
Paid claims, net		3,164,513	3,991,708
Net change in claims reserve		216,790	(51,340)
Allocated general and administrative expenses		225,320	275,629
Allocated employees' expenses		222,048	308,869
Excess of loss premium		68,234	113,162
Policies acquisition cost		205,708	170,083
Other expenses		161,685	75,371
Net Claims		4,264,298	4,883,482
Unallocated employees' expenses		27,406	44,346
Depreciation and amortization		13,349	15,077
Unallocated general and administrative expenses		55,206	59,402
Provision for expected credit losses		45,000	-
Total expenses		4,405,259	5,002,307
Profit (loss) for the period before tax		73,468	(265,483)
Income tax expenses	8	-	-
Profit (loss) for the period		73,468	(265,483)
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted profit (loss) per share for the period	14	<u>0/00073</u>	<u>(0/00265)</u>

The attached notes 1 to 17 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 2019 (UNAUDITED)

	For the three months ended 31 March	
	2019	2018
	JD	JD
Profit (loss) for the period	73,468	(265,483)
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	9,124	56,668
Total comprehensive income for the period	<u>82,592</u>	<u>(208,815)</u>

The attached notes 1 to 17 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 2019 (UNAUDITED)

	Paid in capital	Statutory reserve	Fair value reserve	Accumulated Losses	Total
	JD	JD	JD	JD	JD
31 March 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	-	-	(9,124)	73,468	64,344
Balance at 31 March 2019	<u>10,000,000</u>	<u>172,786</u>	<u>(437,330)</u>	<u>(3,913,703)</u>	<u>5,821,753</u>
31 March 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	-	-	56,668	(265,483)	(208,815)
Balance at 31 March 2018	<u>10,000,000</u>	<u>169,213</u>	<u>(400,832)</u>	<u>(3,784,810)</u>	<u>5,983,571</u>

The attached notes 1 to 17 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 2019 (UNAUDITED)

	Note	For the three months ended 31 March	
		2019	2018
		JD	JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) for the period before tax		73,468	(265,483)
Adjustment for non-cash items			
Depreciation and amortization		13,349	15,077
Interest on lease liability		10,737	-
Depreciation on right use assets		23,674	-
Net change in unearned premium reserve		1,046,504	241,367
Net change in outstanding claims reserve		216,790	(51,340)
Provision for expected credit losses		45,000	-
Gain from sale of property and equipment		-	-
Interest income		(107,072)	(113,510)
Cash flows from (used in) operating activities before changes in working capital		1,322,450	(173,889)
Reinsurance receivables		(19,278)	5,351
Checks under collection		1,272,482	(42,212)
Accounts receivable		(2,299,795)	(626,186)
Other assets		(19,924)	(71,208)
Accounts payable		(777,017)	272,691
Reinsurance payables		3,883	245,955
Paid Lease liability		(34,210)	-
Other liabilities and accrued expenses		18,168	51,904
Net cash flows used in operating activities		(533,241)	(337,594)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		2,783,115	1,864,769
Purchase of property and equipment		-	(723)
Purchase of intangible assets		-	(2,478)
Purchase of assets held for sale		-	(14,438)
Interest received		107,072	113,510
Net cash flows from investing activities		2,890,187	1,960,640
Net increase in cash and cash equivalents		2,356,946	1,623,046
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	6,276,336	5,564,375

The attached notes 1 to 17 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 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	2,663,877	2,530,797	142,725	172,427	458,263	833,435	48,899	100,474	2,008,724	1,525,014	14,632	10,401	5,337,110	5,173,548
Less:														
Local reinsurance share	60,000	-	-	-	8,106	338,483	-	-	-	-	2,108	3,927	70,214	342,410
Foreign reinsurance share	-	-	113,181	142,849	376,099	411,404	2,726	6,195	-	-	10,042	5,179	502,048	565,627
Net Written Premiums	2,603,877	2,530,797	29,544	29,578	74,058	83,548	46,163	94,279	2,008,724	1,526,014	2,482	1,295	4,764,848	4,265,511
Add:														
Balance at the beginning of the period														
Unearned premiums reserve	5,071,655	5,243,971	85,901	201,071	1,407,023	1,283,751	33,207	60,110	1,999,255	2,112,482	15,892	22,709	8,612,933	8,924,054
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 reserve	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 premiums reserve	5,222,834	5,161,485	142,725	172,427	1,254,384	1,439,439	55,704	109,870	2,828,334	2,346,333	23,067	22,444	9,527,248	9,251,998
Less: reinsurance share	-	-	113,181	142,849	1,121,820	1,291,665	8,536	23,561	-	-	19,679	19,231	1,263,216	1,477,307
Net Unearned premiums reserve	5,222,834	5,161,485	29,544	29,578	132,764	147,773	47,168	86,309	2,828,334	2,346,333	3,388	3,213	8,264,032	7,774,691
Less: premium deficiency reserve	-	-	-	-	-	-	-	-	245,000	161,000	-	-	245,000	161,000
Net earned revenue from written Premiums	2,452,698	2,613,283	3,893	9,193	62,399	76,920	18,625	31,169	1,179,645	1,292,163	1,084	1,416	3,716,344	4,024,144

The attached notes 1 to 17 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 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	2,379,399	2,966,550	6,144	-	16,515	84,564	4,000	12,747	1,332,652	1,415,264	1,233	1,908	3,739,943	4,461,033
Less:														
Recoveries	452,605	321,722	-	-	8,466	2,842	-	-	14,871	45,336	-	180	475,962	370,080
Reinsurance share	88,275	56,101	4,301	-	5,906	61,762	-	-	-	-	986	1,382	99,468	119,245
Net Paid Claims	1,838,519	2,588,727	1,843	-	2,123	19,960	4,000	12,747	1,317,781	1,369,928	247	346	3,164,513	3,991,708
Add:														
Outstanding claims reserve at the end of the period														
Reported	5,981,137	5,970,045	288,179	267,176	1,246,439	1,307,044	42,173	16,695	586,237	788,750	438	668	8,144,603	8,350,378
Unreported	1,813,462	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	321,118	250,290	1,000	1,000	2,146,580	2,262,290
Less:														
Recoveries	793,677	811,650	-	-	-	-	-	-	-	-	-	-	793,677	811,650
Reinsurance share	313,324	261,558	279,964	263,575	1,077,820	1,146,838	5,410	2,675	-	-	383	567	1,676,901	1,675,213
Net outstanding claims reserve at the end of the period	6,687,598	6,896,837	10,215	5,601	176,619	188,206	37,763	15,020	907,355	1,039,040	1,055	1,101	7,820,605	8,125,805
Reported	4,674,136	4,896,837	8,215	3,601	168,619	160,206	36,763	14,020	586,237	788,750	55	101	5,674,025	5,863,515
Unreported	1,813,462	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	321,118	250,290	1,000	1,000	2,146,580	2,262,290
Outstanding claims reserve 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	7,806,417	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	254,991	815,545	849,890	5,410	2,675	-	-	320	1,688	1,434,767	1,375,547
Net outstanding claims reserve at the beginning of the period	6,482,470	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	2,033,647	2,412,174	2,414	42	26,438	22,202	3,720	(3,089)	1,314,821	1,508,968	263	71	3,381,303	3,940,368

The attached notes 1 to 17 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 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	2,452,698	2,613,283	3,893	9,193	62,399	76,920	18,625	31,169	1,179,645	1,292,163	1,084	1,416	3,718,344	4,024,144
Less:														
Net claims cost	2,033,647	2,412,174	2,414	42	26,438	22,202	3,720	(3,089)	1,314,821	1,508,968	263	71	3,381,303	3,940,368
Add:														
Commissions received	-	-	30,453	61,199	114,304	113,610	382	1,352	-	-	3,162	1,635	148,301	177,796
Insurance policies issuance fees	102,785	61,929	52,608	57,924	82,524	63,474	2,493	3,091	150,658	114,453	5,409	2,342	396,477	303,213
Other revenues	47,316	39,058	7,854	20,255	-	29,354	-	-	53,339	29,494	-	-	108,509	118,161
Total revenue	569,152	302,096	92,394	148,529	232,789	261,156	17,780	38,701	68,821	(72,858)	9,392	5,322	990,328	682,946
Less:														
Policies acquisition cost	118,462	100,127	1,338	355	14,690	17,767	1,684	969	67,358	50,015	2,156	950	205,708	170,083
Excess of loss premiums	37,689	65,486	3,043	8,398	27,502	39,278	-	-	-	-	-	-	68,234	113,162
Allocated general and administrative expenses	225,226	302,326	15,492	20,286	54,768	92,507	3,027	8,060	147,946	160,485	909	834	447,368	584,498
Other expenses	3,470	3,205	1,282	286	847	2,284	-	-	155,986	68,996	100	600	161,685	75,371
Total Expenses	384,867	471,144	21,155	29,325	97,807	151,836	4,711	9,029	371,290	279,496	3,165	2,284	882,995	943,114
Underwriting Profit (loss)	184,285	(169,048)	71,239	119,204	134,982	109,320	13,069	29,672	(302,469)	(352,354)	6,227	3,038	107,333	(260,168)

The attached notes 1 to 17 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 29 April 2019.

(2) Basis of preparation

The interim condensed financial statements as of 31 March 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 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 2018. In addition, the results for the three months ended 31 March 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 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.

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019 (UNAUDITED)

• *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>427,635</u>

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
Amortization	(23,674)	-
Interest expense	-	10,737
Payments	-	(34,210)
At 31 March 2019 (Unaudited)	<u>436,624</u>	<u>404,162</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 profit or loss.

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.

(3) BANK DEPOSITS

This item represents the following:

	31 March 2019				31 December 2018
	Deposits mature within a month	Deposits mature from 1 to 3 months	Deposits mature from 3 months to 1 year	Total	
	JD	JD	JD	JD	JD
				(Unaudited)	(Audited)
Inside Jordan	-	4,953,980	2,170,865	7,124,845	8,766,365

Interest rates on bank deposits' balances in Jordanian Dinar range from 5% to 5,75% during the period ended 31 March 2019.

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

This item consists of the following:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Quoted shares in Amman Stock Exchange	289,109	298,233

(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Policy holders	6,755,236	4,470,703
Due from sister companies (Note 12)	6,918	6,918
Employees' receivables	11,786	11,369
Other	20,904	10,379
	6,794,844	4,499,369
Less: Provision for expected credit losses*	1,297,348	1,256,668
	5,497,496	3,242,701

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

	31 March 2019 JD (Unaudited)	31 December 2018 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	45,000	-
Reversal of provision	-	(40,000)
Write off	(4,320)	-
Balance at the end of the period/ year	1,297,348	1,256,668

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(6) REINSURANCE RECEIVABLES

This item consists of the following:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Local insurance companies	357,008	357,464
Foreign reinsurance companies	92,304	72,570
	449,312	430,034
Less: Provision for doubtful debts	40,000	40,000
	409,312	390,034

(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 31 March 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 31 March 2019 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.

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(9) 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:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Cash on hand and bank balances	1,322,356	107,005
Add: deposits at banks	7,124,845	8,766,365
Less: deposits at banks maturing after three months	2,170,865	4,953,980
Net Cash and cash equivalents	6,276,336	3,919,390

(10) ACCOUNTS PAYABLE

This item consists of the following:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Due to sister companies (Note 12)	383,566	375,068
Policy holders	688,594	1,363,163
Medical network payables	507,265	634,044
Other payables	519,376	503,543
	2,098,801	2,875,818

(11) REINSURANCE PAYABLES

This item consists of the following:

	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
Local insurance companies	479,321	546,776
Foreign reinsurance companies	1,906,201	1,834,863
	2,385,522	2,381,639

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(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 31 March 2019.

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

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

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
<u>Statement of Financial Position Items:</u>		
Due from related parties' items -		
Due from related parties	2,825,272	970,600
The Mediterranean and Gulf Insurance company – Bahrain (note 5)	6,918	6,918
Medivisa Company – Jordan (Note 10)	383,566	375,068
	<u>3,215,756</u>	<u>1,352,586</u>
Due to related party item -		
Due to related parties	<u>308,684</u>	<u>302,301</u>
	31 March 2019	31 March 2018
	JD	JD
	(Unaudited)	(Unaudited)
<u>Income Statement Items:</u>		
Written premiums	<u>1,383,275</u>	<u>1,487,819</u>

* Reported outstanding claims provision and reinsurance payable consist of the following:

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Addisson Bradley International Lebanon – (Reinsurance Brokerage firm)**	<u>308,684</u>	<u>302,301</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 52,545 as of 31 March 2019 (2018: JD 56,943). Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 3,265 as of 31 March 2019 (2018: JD 6,070).

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

	31 March 2019	31 March 2018
	JD (Unaudited)	JD (Unaudited)
Salaries and benefits	55,950	54,616

(13) FAIR VALUE RESERVE

This item consists of the increase in the fair value of financial instruments through other comprehensive income:

	31 March 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at beginning of the period/ year	(428,206)	(457,500)
Change in fair value during the period/ year	(9,124)	29,294
Balance at the end of the period/ year	(437,330)	(428,206)

(14) BASIC AND DILUTED PROFIT (LOSS) 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:

	31 March 2019	31 March 2018
	JD (Unaudited)	JD (Unaudited)
Loss for the period (Dinar)	73,468	(265,482)
Weighted average number of shares (share)	10,000,000	10,000,000
	JD/ Fils	JD/ Fils
Basic and diluted profit (loss) per share for the period	0/00073	(0/00265)

(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, liability and medical insurance. The transactions between sectors and on estimated market price basis under the same conditions for the 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	
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total revenue	4,330,424	4,559,028	148,303	177,796	4,478,727	4,736,824
Capital expenditures	-	17,639	-	-	-	17,639

	Inside Jordan		Outside Jordan		Total	
	31 March	31 December	31 March	31 December	31 March	31 December
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Total assets	27,449,638	26,472,804	-	-	27,449,638	26,472,804

(16) LAWSUITS AGAINST THE COMPANY

The Company is a defendant in a number of lawsuits. The Company has recorded a sufficient provision against these lawsuits. In the opinion of the Company's legal advisor, the recorded provision is sufficient to meet obligations that may arise from the lawsuits.

(17) LEGAL RESERVES

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