

التاريخ: 2020/11/09

1112/M2020/FE/LET/MAQ

السادة: هيئة الأوراق المالية

السادة: بورصة عمان

عمان- الاردن

الموضوع: البيانات المالية المرحلية للمرحلة المنتهية في تاريخ

30 أيلول 2020 باللغة الانجليزية

تحية طيبة وبعد،،،

نرفق لكم طيه البيانات المالية المرحلية لشركة المتوسط والخليج للتأمين للمرحلة المنتهية في تاريخ 30 أيلول 2020 باللغة الانجليزية .

واقبلوا فائق الاحترام،،،

"محمد الأمين" أبوقورة
المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٩ - ٢٠٢٠ تشرين الثاني
الرقم المتسلسل: ٤١١٧
رقم الملف: ٤١١٧
المهلة المختصة: ٦١١٧

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2020

**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 30 September 2020, comprising of interim statement of financial position as of 30 September 2020 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 the nine-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 98.4% as of 30 September 2020, which is less than the required ratio by the Insurance Administration, which is 150%.

Amman - Jordan
28 October 2020



THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Notes	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Assets			
Investments -			
Bank deposits	3	6,567,004	7,329,577
Investment properties		5,283,567	5,346,567
Financial assets at fair value through other comprehensive income	4	200,266	276,143
Total Investments		12,050,837	12,952,287
Other Assets -			
Cash on hand and at banks	9	21,582	962,777
Checks under collection		4,071,978	4,269,960
Accounts receivable, net	5	4,651,589	5,511,833
Reinsurance receivables	6	422,349	380,747
Property and equipment		2,821,008	2,655,893
Right of use assets		44,230	52,966
Intangible assets		10,598	22,161
Other assets		483,923	266,361
Total Assets		24,578,094	27,074,985
Liabilities and Equity			
Liabilities			
Technical Reserves -			
Unearned premium reserve, net		6,849,342	7,008,674
Premium deficiency reserve, net		122,000	50,000
Outstanding claims reserve, net		8,637,500	8,800,453
Total Technical Reserves		15,608,842	15,859,127
Other liabilities -			
Accounts payable	10	2,133,927	1,961,581
Accrued expenses		43,982	53,832
Reinsurance payables	11	1,218,690	2,926,947
Lease Obligation		43,749	47,595
Other liabilities		381,805	359,450
Total Liabilities		19,430,995	21,208,532
Equity-			
Paid in capital	1	10,000,000	10,000,000
Statutory reserve		185,899	185,899
Fair value reserve	13	(526,173)	(450,296)
Accumulated losses		(4,512,627)	(3,869,150)
Total Shareholders' Equity		5,147,099	5,866,453
Total Liabilities and Shareholders' Equity		24,578,094	27,074,985

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 AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

		For the three months ended 30 September		For the nine months ended 30 September	
	Notes	2020	2019	2020	2019
		JD	JD	JD	JD
Revenue –					
Gross written premiums		3,810,714	5,234,258	12,713,450	14,959,364
Less: local reinsurance share		65,576	231,976	157,733	379,997
Less: foreign reinsurance share		302,218	380,268	1,120,863	1,221,129
Net written premiums		3,442,920	4,622,014	11,434,854	13,358,238
Net change in unearned premiums provision		239,767	(142,050)	159,332	(1,097,606)
Net change in premium deficiency reserve		-	-	(72,000)	102,000
Net earned premiums		3,682,687	4,479,964	11,522,186	12,362,632
Commissions income		92,254	116,048	277,289	355,310
Insurance policies issuance fees		165,928	238,941	580,944	889,532
Interest income		227,227	105,701	405,830	295,325
Other underwriting revenue		159,347	104,729	464,538	326,869
Loss from sale of property and equipment		(16)	-	(16)	-
Other revenues		-	-	-	34
Dividends income from investments in financial assets through other comprehensive income		-	-	-	21,998
Total revenues		4,327,427	5,045,383	13,250,771	14,251,700
Claims and related expenses					
Paid claims		3,705,782	3,768,732	11,206,547	11,399,372
Less: Recoveries		356,931	303,156	861,065	875,539
Less: Reinsurance share		221,628	146,982	695,512	333,622
Paid claims, net		3,127,223	3,318,594	9,649,970	10,190,211
Net change in claims reserve		560,650	579,499	(162,953)	928,113
Allocated general and administrative expenses		187,144	292,541	556,015	731,691
Allocated employees' expenses		271,399	219,349	711,799	703,065
Excess of loss premium		44,785	68,235	226,118	231,562
Policies acquisition costs		224,547	209,667	456,478	568,533
Other expenses		116,305	141,435	407,382	390,961
Net Claims		4,532,053	4,829,320	11,844,809	13,744,136
Unallocated employees' expenses		34,505	28,135	95,087	85,183
Right use assets depreciation		2,912	(47,880)	8,736	-
Depreciation and amortization		41,246	13,263	125,289	40,083
Unallocated general and administrative expenses		46,078	120,173	137,445	180,239
Allowance for expected credit losses		(260,527)	95,000	1,682,882	185,000
Total expenses		(135,786)	208,691	2,049,439	490,505
(Loss) Profit for the period before tax		(68,840)	7,372	(643,477)	17,059
Income tax expenses	8	-	-	-	-
(Loss) Profit for the period		(68,840)	7,372	(643,477)	17,059
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (Losses) Profit per share for the period	14	(0/007)	0/001	(0/064)	0/002

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 AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	JD	JD	JD	JD
(Loss) Profit for the period	(68,840)	7,372	(643,477)	17,059
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	1,921	(13,447)	(75,877)	(24,011)
Total comprehensive income for the period	<u>(66,919)</u>	<u>(6,075)</u>	<u>(719,354)</u>	<u>(6,952)</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 NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Paid in capital	Statutory reserve	Fair value reserve	Accumulated Losses	Total
	JD	JD	JD	JD	JD
30 September 2020-					
Balance at 1 January 2020	10,000,000	185,899	(450,296)	(3,869,150)	5,866,453
Total comprehensive income for the period	-	-	(75,877)	(643,477)	(719,354)
Balance at 30 September 2020	<u>10,000,000</u>	<u>185,899</u>	<u>(526,173)</u>	<u>(4,512,627)</u>	<u>5,147,099</u>
30 September 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	-	-	(24,011)	17,059	(6,952)
Balance at 30 September 2019	<u>10,000,000</u>	<u>172,786</u>	<u>(452,217)</u>	<u>(3,970,112)</u>	<u>5,750,457</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 NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	30 September 2020 JD	30 September 2019 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
(Loss) Profit for the period before tax	(643,477)	17,059
Adjustment for non-cash items:		
Depreciation and amortization	125,289	40,083
Interest on lease obligation	2,894	28,914
Depreciation on right use assets	8,736	72,352
Net Change in Unearned premium reserve	(159,332)	1,097,606
Net change in Premium deficiency reserve	72,000	(102,000)
Net change in Outstanding claims reserve	(162,953)	928,113
Interest income	(405,830)	(295,325)
Allowance for expected credit losses	1,682,882	185,000
Dividends income from investments in financial assets through other comprehensive income	-	(21,998)
Loss from sale of property and equipment	16	-
Cash flows from operating activities before changes in working capital	520,225	1,949,804
Checks under collection	197,982	(117,919)
Accounts receivable	(822,638)	(2,595,156)
Reinsurance receivables	(41,602)	(51,876)
Other assets	61,240	65,754
Accounts payable	172,346	(771,521)
Reinsurance payables	(1,708,257)	104,738
Other liabilities and accrued expenses	12,505	28,771
Net cash flows used in operating activities	(1,608,199)	(1,387,405)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	127,028	197,057
Deposits at banks maturing after three months	(3,998,230)	2,783,114
Purchase of property and equipment	(216,461)	-
Dividends Received	-	21,998
Proceeds from sale of property and equipment	604	-
Net cash flows (used in) from investing activities	(4,087,059)	3,002,169
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Lease obligations paid	(6,740)	(97,082)
Net cash flows used in financing activities	(6,740)	(97,082)
Net (decrease) increase in cash and cash equivalents	(5,701,998)	1,517,682
Cash and cash equivalents at beginning of the period	8,292,354	3,919,390
Cash and cash equivalents at the end of the period	9 2,590,356	5,437,072

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 NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premiums:																
Direct insurance	6,842,047	8,411,516	215,515	284,403	11,000	-	1,126,770	1,344,218	69,977	109,625	4,428,609	4,804,344	19,532	25,258	12,713,450	14,959,364
Less:																
Local reinsurance share	90,074	194,233	4,488	-	-	-	60,208	171,080	538	6,349	-	-	2,425	8,335	157,733	379,997
Foreign reinsurance share	-	-	189,654	224,681	11,000	-	893,809	965,411	12,296	17,476	-	-	14,104	13,561	1,120,863	1,221,129
Net Written Premiums	6,751,973	8,217,283	21,373	39,722	-	-	172,753	207,727	57,143	85,800	4,428,609	4,804,344	3,003	3,362	11,434,854	13,358,238
Add:																
Balance at the beginning of the period																
Unearned premium reserve	5,507,430	5,071,655	88,999	85,901	-	-	1,367,521	1,407,023	42,038	33,207	1,348,224	1,999,255	17,728	15,892	8,371,940	8,612,933
Less: reinsurance share	-	-	83,433	82,008	-	-	1,249,368	1,285,918	15,002	13,577	-	-	15,463	13,902	1,363,266	1,395,405
Net Unearned Premiums reserve	5,507,430	5,071,655	5,566	3,893	-	-	118,153	121,105	27,036	19,630	1,348,224	1,999,255	2,265	1,990	7,008,674	7,217,528
Add: Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	50,000	245,000	-	-	50,000	245,000
Less:																
Balance at the end of the period																
Unearned premium reserve	4,855,687	5,449,462	51,923	38,096	8,845	-	778,133	970,541	35,571	62,297	1,833,584	2,678,311	12,864	15,093	7,576,607	9,213,800
Less: Reinsurance share	-	-	45,891	33,188	-	-	660,328	834,073	9,903	18,018	-	-	11,143	13,387	727,265	898,666
Net Unearned Premiums provision	4,855,687	5,449,462	6,032	4,908	8,845	-	117,805	136,468	25,668	44,279	1,833,584	2,678,311	1,721	1,706	6,849,342	8,315,134
Less: Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	122,000	143,000	-	-	122,000	143,000
Net: Earned revenue from written Premiums	7,403,716	7,839,476	20,907	38,707	(8,845)	-	173,101	192,364	58,511	61,151	3,871,249	4,227,288	3,547	3,646	11,522,186	12,362,632

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 NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD			JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	6,008,700	6,611,247	76,869	93,936	-	-	427,625	162,718	2,500	4,120	4,687,011	4,512,744	3,842	14,607	11,206,547	11,399,372
Less:																
Recoveries	812,968	810,951	1,817	-	-	-	27,670	16,132	-	-	17,386	48,406	1,224	50	861,065	875,539
Foreign reinsurance share	290,145	120,725	57,550	72,681	-	-	345,685	128,555	-	-	-	-	2,132	11,661	695,512	333,622
Net Paid Claims	4,905,587	5,679,571	17,502	21,255	-	-	54,270	18,031	2,500	4,120	4,669,625	4,464,338	486	2,896	9,649,970	10,190,211
Add:																
Outstanding Claims provision at the end of the period																
Reported	7,365,559	6,257,770	257,475	258,935	-	-	835,053	1,282,917	60,187	48,136	633,863	831,415	1,126	253	9,153,263	8,679,426
Unreported	1,542,000	1,895,000	22,447	2,000	-	-	760	8,000	1,000	1,000	31,137	378,586	1,350	1,000	1,598,694	2,285,586
Less:																
Recoveries	951,674	866,413	-	-	-	-	-	-	0	-	-	-	-	-	951,674	866,413
Reinsurance share	236,515	208,795	254,645	255,667	-	-	656,284	1,090,344	14,405	11,630	-	-	934	235	1,162,783	1,566,671
Net Outstanding Claims provision at the end of the period	7,719,370	7,077,562	25,277	5,268	-	-	179,529	200,573	46,782	37,506	665,000	1,210,001	1,542	1,018	8,637,500	8,531,928
Reported	6,177,370	5,182,562	2,830	3,268	-	-	178,769	192,573	45,782	36,506	633,863	831,415	192	18	7,038,806	6,246,342
Unreported	1,542,000	1,895,000	22,447	2,000	-	-	760	8,000	1,000	1,000	31,137	378,586	1,350	1,000	1,598,694	2,285,586
Less:																
Outstanding Claims provision at the beginning of the period																
Reported	6,622,552	5,948,135	283,435	272,640	-	-	831,893	959,849	48,147	42,453	848,795	582,981	1,224	359	8,636,046	7,806,417
Unreported	1,740,715	1,813,462	22,447	2,000	-	-	760	8,000	1,000	1,000	442,267	327,334	1,350	1,000	2,208,539	2,152,796
Less:																
Recoveries	876,578	920,631	-	-	-	-	-	-	-	-	-	-	-	-	876,578	920,631
Reinsurance share	214,558	348,496	277,537	264,996	-	-	662,819	815,545	11,630	5,410	-	-	1,010	320	1,167,554	1,434,767
Net Outstanding Claims provision at the beginning of the period	7,272,131	6,492,470	28,345	9,644	-	-	169,834	152,304	37,517	38,043	1,291,062	910,315	1,564	1,039	8,800,453	7,603,815
Net Claims Cost	5,352,826	6,264,663	14,434	16,879	-	-	63,965	66,300	11,765	3,583	4,043,563	4,764,024	464	2,875	9,487,017	11,118,324

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 PROFIT FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	7,403,716	7,839,476	20,907	38,707	(8,845)	-	173,101	192,364	58,511	61,151	3,871,249	4,227,288	3,547	3,646	11,522,186	12,362,632
Less:																
Net claims cost	5,352,826	6,264,663	14,434	16,879	-	-	63,965	66,300	11,765	3,583	4,043,563	4,764,024	464	2,875	9,487,017	11,118,324
Add:																
Commissions income	-	-	44,313	71,774	2,000	-	224,381	273,535	2,196	5,728	-	-	4,399	4,273	277,289	355,310
Policies issuance fees	268,869	363,301	45,150	71,525	331	-	134,659	146,257	3,214	6,085	122,873	293,872	5,848	8,492	580,944	889,532
Other underwriting revenue	150,232	77,207	20,897	18,128	-	-	69,442	(1,654)	-	-	223,967	233,188	-	-	464,538	326,869
Total revenue	2,469,991	2,015,321	116,833	183,255	(6,514)	-	537,618	544,202	52,156	69,381	174,526	(9,676)	13,330	13,536	3,357,940	2,816,019
Less:																
Policies acquisition costs	218,291	339,736	11,042	3,394	1,000	-	51,305	29,156	2,508	4,736	169,722	188,878	2,610	2,633	456,478	568,533
Excess of loss premium	148,838	138,787	5,947	9,130	-	-	71,333	83,645	-	-	-	-	-	-	226,118	231,562
Allocated general and administrative expenses	672,158	803,311	37,546	40,206	805	-	168,189	182,710	5,120	7,780	382,568	398,957	1,428	1,792	1,267,814	1,434,756
Other expenses	969	4,524	75	1,718	-	-	14,894	1,347	-	-	370,625	383,212	20,819	160	407,382	390,961
Total Expenses	1,040,256	1,286,358	54,610	54,448	1,805	-	305,721	296,858	7,628	12,516	922,915	971,047	24,857	4,585	2,357,792	2,625,812
Underwriting Profit	1,429,735	728,963	62,223	128,807	(8,319)	-	231,897	247,344	44,528	56,865	(748,389)	(980,723)	(11,527)	8,951	1,000,148	190,207

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

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2020

(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, aviation, marine, medical, motor and liability.

The interim financial statements were approved by the Board of Directors on 26 October 2020.

(2) Basis of preparation

The interim condensed financial statements as of 30 September 2020 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 2019. In addition, the results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019 except for the adoption of new amendments effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Company did not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

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

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments was for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

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

(3) BANK DEPOSITS

This item represents the following:

	30 September 2020			31 December 2019
	Deposits mature within a month	Deposits mature during a period from 1 to 3 months*	Deposits mature from 3 months to 1 year**	
	JD	JD	JD	JD
				(Unaudited)
				(Audited)
Inside Jordan	-	2,568,774	3,998,230	6,567,004
				7,329,577

* This item represents deposits in Jordanian Dinar as of 30 September 2020 with an average interest rate of 4.75% and mature within three months (31 December 2019: Deposits in Jordanian Dinar with an average interest rate ranges between 4.5% and 4.75% and mature within three months).

** This item represents deposits in Jordanian Dinar as of 30 September 2020 at an average interest rate ranges between 4.5% and 5.9% and mature within five months (31 December 2019: Nil).

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

This item consists of the following:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Quoted shares in Amman Stock Exchange	200,266	276,143

(5) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Policy holders*	7,797,738	6,979,009
Due from sister companies (Note 12)	6,918	6,918
Employees' receivables	10,578	6,669
Others	1,585	1,585
	7,816,819	6,994,181
Less: Provision for expected credit losses**	3,165,230	1,482,348
	4,651,589	5,511,833

* This item includes written premiums receivables from a primary shareholder by JD 3,483,633 as of 30 September 2020 (31 December 2019: 1,890,017) (Note 12)

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

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	1,482,348	1,256,668
Additions for the period/ year	1,682,882	230,000
Reversal of provision	-	(4,320)
Balance at the end of the period/ year	3,165,230	1,482,348

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(6) REINSURANCE RECEIVABLES

This item consists of the following:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	343,652	342,159
Foreign reinsurance companies	118,697	78,588
	462,349	420,747
Less: Provision for doubtful debts	40,000	40,000
	422,349	380,747

(7) PROPERTIES AND EQUIPMENT

During the nine months period ended on 30 September 2020, the company purchased property and equipment for the new building in Al-Abdali for an amount of JD 216,461 (30 September 2019: Nil).

(8) INCOME TAX

No provision for income tax was calculated for the period ended 30 September 2020 and 2019 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 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.

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(9) CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Cash on hand	700	650
Cash at Banks	20,882	962,127
	<u>21,582</u>	<u>962,777</u>

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

	30 September 2020 JD (Unaudited)	30 September 2019 JD (Unaudited)
Cash on hand and bank balances	21,582	337,522
Plus: Deposits at banks that mature within three months (Note 3)	<u>2,568,774</u>	<u>5,099,550</u>
Cash and cash equivalents	<u>2,590,356</u>	<u>5,437,072</u>

(10) ACCOUNTS PAYABLE

This item consists of the following:

	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Due to sister companies (Note 12)	46,508	66,713
Policy holders	287,378	425,702
Medical network payables	891,469	1,120,645
Other payables	<u>908,572</u>	<u>348,521</u>
	<u>2,133,927</u>	<u>1,961,581</u>

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(11) REINSURANCE PAYABLES

This item consists of the following:

	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Local insurance companies	469,963	951,691
Foreign reinsurance companies	748,727	1,975,256
	<u>1,218,690</u>	<u>2,926,947</u>

(12) RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, board members, directors and key management 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.

Due from related parties are considered working, accordingly no provisions were provided against them.

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

	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Amounts Due from related parties -		
Due from primary shareholder (Note 5)	3,483,633	1,890,017
The Mediterranean and Gulf Insurance company – Bahrain (note 5) (Sister Company)	6,918	6,918
Checks under collection from primary shareholder	3,067,946	3,183,989
	<u>6,558,497</u>	<u>5,080,924</u>
Less: Provision for expected credit losses	1,359,330	-
	<u>5,199,167</u>	<u>5,080,924</u>
Amounts Due to related parties-		
Addison Bradley International Lebanon (Sister Company)*	250,745	911,656
Addison Bradley Jordan (Sister Company)	199,600	199,600
Medivisa Company – Jordan (Note 10) (Sister Company)	46,508	66,713
	<u>496,853</u>	<u>1,177,969</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 276,684 for the period ended 30 September 2020 (31 December 2019: JD 52,545). Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 29,224 for the period ended 30 September 2020 (31 December 2019: JD 3,265).

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

	30 September 2020	30 September 2019
	JD	JD
	(Unaudited)	(Unaudited)
Written premiums- primary shareholder	4,821,872	3,811,754

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

	30 September 2020	30 September 2019
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and benefits	194,050	162,500

(13) FAIR VALUE RESERVE

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

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Balance at beginning of the period/ year	(450,296)	(428,206)
Change in fair value during the period/ year	(75,877)	(22,090)
Balance at the end of the period/ year	(526,173)	(450,296)

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

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

	For three months at 30 September		For nine months at 30 September	
	2020 Unaudited	2019 Unaudited	2020 Unaudited	2019 Unaudited
(Loss) Profit for the period (Dinar)	(68,840)	7,372	(643,477)	17,059
Weighted average number of shares (share)	10,000,000	10,000,000	10,000,000	10,000,000
	JD/ Fils	JD/ Fils	JD/ Fils	JD/ Fils
Basic and diluted earnings per share for the period	(0/007)	0/001	(0/064)	0/002

(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 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	
	30 September		30 September		30 September	
	2020	2019	2020	2019	2020	2019
Total revenue	12,973,482	13,896,390	277,289	355,310	13,250,771	14,251,700

	Inside Jordan		Outside Jordan		Total	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Total assets	24,578,094	27,074,985	-	-	24,578,094	27,074,985

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

	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
Total available capital	<u>5,147,099</u>	<u>5,866,453</u>
Capital requirements		
Capital requirement against asset risks	2,959,483	3,378,206
Capital requirement against underwriting liabilities	2,256,521	2,402,270
Capital requirement against the reinsurance risk	13,720	19,698
Total required capital	<u>5,229,724</u>	<u>5,800,174</u>
Solvency margin ratio	<u>98.4%</u>	<u>101.1%</u>

The company's solvency ratio reached 98.4% as of 30 September 2020, 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 1,094,727 as of 30 September 2020 (31 December 2019: 1,200,062). 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 112,843 with cash margins of JD 11,284 (31 December 2019: JD 194,957, with cash margins of JD 19,496).

(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 Coronavirus 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.