MEDGULF ميدغلف
شـركة المتوسط والخليـج للتامين ش.م.ع. - الأردن THE MEDITERRANEAN & GULF INSURANCE CO. P. L. C. - JORDAN

التاريخ :2021/04/27

383/M2021/FE/LET/MAQ

السادة : هيئة الأوراق المالية المحترمين

السادة : بورصة عمان المحترمين

عمان- الأردن

الموضوع: البيانات المالية الختامية للعام 2020 باللغة الانجليزية

تحية طيبة وبعد،،،

نرفق لكم طيه البيانات المالية الختامية لشركة المتوسط والخليج للتأمين كما في تاريخ 31 كانون الأول من العام 2020 باللغة الانجليزية.

واقبلوا فائق الاحترام،،،

"محمدالأمين" أبوقورة
المدير العام

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The Mediterranean And Gulf Insurance Company - Jordan

Public Shareholding Company

Financial Statements

31 December 2020

Ernst & Young Jordan
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the Mediterranean and Gulf Insurance Company

Amman – Jordan

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements **of the Mediterranean and Gulf Insurance Company**, which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of what is mentioned in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As disclosed in note (7) to the financial statements, the Company's checks under collection amounted to JD 2,960,751 as of 31 December 2020. The Company did not provide provisions for expected credit losses against those checks during the year ended on 31 December 2020 in accordance with International Financial Reporting Standards "IFRS" (9).

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of a matter

- The Company's solvency ratio reached 101.8% as of 31 December 2020, which is less than the ratio determined by the Insurance Administration, which is 150%.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2020. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. **Revenue Recognition**	
Key audit matter	**How the key audit matter was addressed in the audit**
Revenue is an important determinant of the Company's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut- off date. Total written premium revenues amounted to JD 17,138,884 for the year ended 31 December 2020.	Our audit procedures included evaluating the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Company's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by lines of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Company's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period. Disclosures of accounting policies for revenue recognition are details in note (2) to the financial statement.

2. **Estimates used in calculation and completeness of insurance liabilities**	
Key audit matter	**How the key audit matter was addressed in the audit**
The Company has insurance liabilities of JD 14,248,698 representing 73.7% of the Company's total liabilities. The measurement of insurance liabilities (outstanding claims, unearned premium revenue and premium deficiency reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long-term policyholders' liabilities.	Our audit procedures included, amongst others, assessing the Company's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Company. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the Company's external specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Company and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities. Disclosures of assumptions and accounting policies related to insurance contracts liabilities are detailed in note (2) to the financial statement.

Other information included in the Mediterranean and Gulf Insurance Company's 2020 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on th financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. We expect to obtain the Company's annual report subsequent to our auditor's report date.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements. Taking into consideration what has been mentioned in the basis of qualified opinion and emphasis of a matter paragraphs.

The partner in charge of the audit resulting in this auditor's report was Bishr Ibrahim Baker; license number 592.

Amman – Jordan
28 February 2021

Ernst + Young

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020	2019
		JD	JD
Assets			
Investments -			
Bank deposits	3	6,592,832	7,329,577
Investment Properties	4	5,248,903	5,346,567
Financial assets at fair value through other comprehensive income	5	198,344	276,143
Total Investments		12,040,079	12,952,287
Other Assets -			
Cash on hand and at banks	6	46,292	962,777
Checks under collection	7	2,960,751	4,269,960
Accounts receivable, net	8	5,707,598	5,511,833
Reinsurance receivables	9	638,484	380,747
Property and equipment	11	2,809,690	2,655,893
Right of use asset	12	16,772	52,966
Intangible assets	14	8,085	22,161
Other assets	15	330,814	266,361
Total Assets		24,558,565	27,074,985
Liabilities and Equity			
Liabilities			
Technical Reserves -			
Unearned premium reserve, net		5,732,065	7,008,674
Premium deficiency reserve, net		-	50,000
Outstanding claims reserve, net		8,516,633	8,800,453
Total Technical Reserves		14,248,698	15,859,127
Other liabilities -			
Accounts payable	16	2,767,213	1,961,581
Accrued expenses		43,100	53,832
Reinsurance payables	17	1,932,914	2,926,947
Lease Obligations	12	15,917	47,595
Other liabilities	18	324,853	359,450
Total Liabilities		19,332,695	21,208,532
Equity-			
Paid in capital	19	10,000,000	10,000,000
Statutory reserve	20	185,899	185,899
Fair value reserve	21	(528,095)	(450,296)
Accumulated losses	22	(4,431,934)	(3,869,150)
Total Shareholders' Equity		5,225,870	5,866,453
Total Liabilities and Shareholders' Equity		24,558,565	27,074,985

The attached notes from 1 to 41 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 JD	2019 JD
Revenues			
Gross written premium		17,138,884	19,241,095
Less: Local reinsurance share		1,178,128	914,204
Less: Foreign reinsurance share		2,015,206	1,854,604
Written premium, net		13,945,550	16,472,287
Net change in unearned premiums provision		1,276,609	208,854
Net Change premium deficiency reserve		50,000	195,000
Net earned premium		15,272,159	16,876,141
Commissions income		450,239	476,508
Insurance policies issuance fees		802,644	1,147,359
Other underwriting revenues		600,863	563,059
Interest income	23	342,517	394,260
Dividends income from investments in financial assets through other comprehensive income	24	-	21,998
Loss from sale of property and equipment		(385)	-
Other revenues		-	34
Total revenues		17,468,037	19,479,359
Claims and related expenses			
Paid claims		15,356,187	15,763,055
Less: Recoveries		1,084,107	1,147,475
Less: Reinsurance share		866,507	359,868
Paid claims, net		13,405,573	14,255,712
Net change in claims reserve		(283,820)	1,196,638
Allocated employees' expenses	25	966,060	988,334
Allocated general and administrative expenses	26	703,960	856,635
Excess of loss premium		315,689	299,796
Commissions paid		581,253	687,165
Other expenses related to policies' underwriting	27	413,973	438,635
Net claims		16,102,688	18,722,915
Unallocated employee expenses	25	126,279	123,822
Depreciation and amortization	4,11,14	185,179	53,114
Unallocated general and administrative expenses	26	185,100	218,374
Allowance for expected credit losses	8	1,417,347	230,000
Total expenses		18,016,593	19,348,225
(Loss) Profit for the year before tax		(548,556)	131,134
Income tax expense	10	(14,228)	-
(Loss) Profit for the year		(562,784)	131,134
		JD/Fils	JD/Fils
Basic and diluted (losses) earnings per share for the year	28	(0/056)	0/013

The attached notes from 1 to 41 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	JD	JD
(Loss) Profit for the year	(562,784)	131,134
Add: other comprehensive income items that will not be reclassified to profit or loss in subsequent periods		
Change in fair value of financial assets at fair value through other comprehensive income (Note 21)	(77,799)	(22,090)
Total comprehensive income for the year	(640,583)	109,044

The attached notes from 1 to 41 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Paid in capital	Statutory reserve	Fair value reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
2020 -					
Balance at 1 January 2020	10,000,000	185,899	(450,296)	(3,869,150)	5,866,453
Loss for the year	-	-	-	(562,784)	(562,784)
Other comprehensive income items	-	-	(77,799)	-	(77,799)
Total comprehensive income	-	-	(77,799)	(562,784)	(640,583)
Balance at 31 December 2020	10,000,000	185,899	(528,095)	(4,431,934)	5,225,870
2019 -					
Balance at 1 January 2019	10,000,000	172,786	(428,206)	(3,987,171)	5,757,409
Profit for the year	-	-	-	131,134	131,134
Other comprehensive income items	-	-	(22,090)	-	(22,090)
Total comprehensive income	-	-	(22,090)	131,134	109,044
Transfer to statutory reserve	-	13,113	-	(13,113)	-
Balance at 31 December 2019	10,000,000	185,899	(450,296)	(3,869,150)	5,866,453

The attached notes from 1 to 41 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) Profit for the year before tax		(548,556)	131,134
Adjustment for non-cash items			
Depreciation and amortization	4,11,14	185,179	53,114
Interest on lease obligations		3,412	2,534
Depreciation of right of use assets		11,067	7,399
Net change in unearned premium reserve		(1,276,609)	(208,854)
Net change in outstanding claims reserve		(283,820)	1,196,638
Net change in premium deficiency reserve		(50,000)	(195,000)
Loss from sale of property and equipment		385	-
Loss on lease contracts termination		888	-
Dividends income from investments in financial assets through other comprehnsive income	24	-	(21,998)
Allowance for expected credit losses	8	1,417,347	230,000
Interest income		(342,517)	(394,260)
Cash flows (used in) from operating activities before changes in working capital		(883,224)	800,707
Checks under collection		1,309,209	1,001,999
Accounts receivable		(1,613,112)	(2,499,132)
Reinsurance receivables		(257,737)	9,287
Other assets		(23,484)	186,291
Accounts payable		805,632	(914,237)
Reinsurance payables		(994,033)	545,308
Other liabilities and accrued expenses		(45,329)	21,687
Net cash flows used in operating activities		(1,702,078)	(848,090)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends Received	24	-	21,998
Purchase of property and equipment	11	(227,902)	(2,078)
Proceeds from sale of property and equipment		281	-
Improvements on investments properties	4	-	(4,368)
Deposits at banks maturing after three months		-	4,953,980
Interest received		287,320	262,373
Net cash flows from investing activities		59,699	5,231,905
CASH FLOWS FROM FINANCING ACTIVITY			
Payments of Lease Obligations	12	(10,851)	(10,851)
Net cash flows used in financing activities		(10,851)	(10,851)
Net (decrease) increase in cash and cash equivalents		(1,653,230)	4,372,964
Cash and cash equivalents at beginning of the year		8,292,354	3,919,390
Cash and cash equivalents at the end of the year	29	6,639,124	8,292,354

The attached notes from 1 to 41 form part of these financial statements

The Mediterranean and Gulf Insurance Company - Jordan
Public Shareholding Company
Statement of Under Writing Revenues for the General Insurance
For the Year Ended 31 December 2020

	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 Premium																
Direct insurance	8,970,980	11,301,123	305,482	353,402	11,000	-	2,871,243	2,334,498	97,032	118,993	4,860,242	5,097,437	22,905	35,642	17,138,884	19,241,095
Less:																
Local reinsurance share	227,848	318,977	42,008	-	-	-	904,416	578,147	538	6,349	-	-	3,318	10,731	1,178,128	914,204
Foreign reinsurance share	-	-	236,367	308,114	11,000	-	1,729,604	1,502,569	21,296	23,976	-	-	16,939	19,945	2,015,206	1,854,604
Net Written Premium	8,743,132	10,982,146	27,107	45,288	-	-	237,223	253,782	75,198	88,668	4,860,242	5,097,437	2,648	4,966	13,945,550	16,472,287
Add:																
Balance at the beginning of the year																
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 Premium 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 year end																
Unearned premium reserve	4,503,751	5,507,430	89,966	88,999	6,073	-	1,843,770	1,367,521	39,339	42,038	1,071,453	1,348,224	10,154	17,728	7,564,506	8,371,940
Less : Reinsurance share	-	-	84,233	83,433	6,073	-	1,718,773	1,249,368	13,858	15,002	-	-	9,504	15,463	1,832,441	1,363,266
Net Unearned Premiums Reserve	4,503,751	5,507,430	5,733	5,566	-	-	124,997	118,153	25,481	27,036	1,071,453	1,348,224	650	2,265	5,732,065	7,008,674
Less: Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	-	50,000	-	-	-	50,000
Net: Earned revenue from written Premiums	9,746,811	10,546,371	26,940	43,615	-	-	230,379	256,734	76,753	81,262	5,187,013	5,943,468	4,263	4,691	15,272,159	16,876,141

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

	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
Paid claims	8,606,744	8,934,796	77,329	93,936	-	-	697,017	320,384	2,500	4,170	5,968,339	6,394,496	4,258	15,273	15,356,187	15,763,055
Less:																
Recoveries	1,036,988	1,071,440	1,817	-	-	-	36,967	31,120	-	-	7,111	44,865	1,224	50	1,084,107	1,147,475
Foreign reinsurance share	290,145	44,147	57,871	72,681	-	-	516,026	230,847	-	-	-	-	2,465	12,193	866,507	359,868
Net Paid Claims	7,279,611	7,819,209	17,641	21,255	-	-	144,024	58,417	2,500	4,170	5,961,228	6,349,631	569	3,030	13,405,573	14,255,712
Add:																
Outstanding claims reserve at year end																
Reported	7,097,551	6,622,552	311,015	283,435	-	-	702,900	831,893	63,087	48,148	566,799	848,795	221	1,224	8,741,573	8,636,047
Unreported	1,732,000	1,740,715	15,447	22,447	-	-	760	760	1,000	1,000	64,951	442,267	1,350	1,350	1,815,508	2,208,539
Less:																
Reinsurance share	263,456	214,558	292,897	277,537	-	-	570,488	662,819	14,404	11,629	-	-	209	1,012	1,141,454	1,167,555
Recoveries	898,994	876,578	-	-	-	-	-	-	-	-	-	-	-	-	898,994	876,578
Net outstanding claims reserve at year end	7,667,101	7,272,131	33,565	28,345	-	-	133,172	169,834	49,683	37,519	631,750	1,291,062	1,362	1,562	8,516,633	8,800,453
Reported	5,935,101	5,531,416	18,118	5,898	-	-	132,412	169,074	48,683	36,519	566,799	848,795	12	212	6,701,125	6,591,914
Unreported	1,732,000	1,740,715	15,447	22,447	-	-	760	760	1,000	1,000	64,951	442,267	1,350	1,350	1,815,508	2,208,539
Less:																
Outstanding claims reserve at the beginning of the year																
Reported	6,622,552	5,948,135	283,435	272,640	-	-	831,893	959,849	48,148	42,453	848,795	582,981	1,224	359	8,636,047	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:																
Reinsurance share	214,558	348,496	277,537	264,996	-	-	662,819	815,545	11,629	5,410	-	-	1,012	320	1,167,555	1,434,767
Recoveries	876,578	920,631	-	-	-	-	-	-	-	-	-	-	-	-	876,578	920,631
Net Outstanding claims reserve at the beginning of the year	7,272,131	6,492,470	28,345	9,644	-	-	169,834	152,304	37,519	38,043	1,291,062	910,315	1,562	1,039	8,800,453	7,603,815
Net Claims Cost	7,674,581	8,598,870	22,861	39,956	-	-	107,362	75,947	14,664	3,646	5,301,916	6,730,378	369	3,553	13,121,753	15,452,350

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING PROFIT (LOSSES) FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

	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 premium	9,746,811	10,546,371	26,940	43,615	-	-	230,379	256,734	76,753	81,262	5,187,013	5,943,468	4,263	4,691	15,272,159	16,876,141
Less:																
Net claims cost	7,674,581	8,598,870	22,861	39,956	-	-	107,362	75,947	14,664	3,646	5,301,916	6,730,378	369	3,553	13,121,753	15,452,350
Add:																
Commissions received	-	-	64,427	79,280	2,000	-	376,888	384,886	2,760	6,053	-	-	4,164	6,289	450,239	476,508
Policies issuance fees	363,470	473,419	47,441	83,185	331	-	234,266	265,106	3,648	6,542	146,174	309,127	7,314	9,980	802,644	1,147,359
Other underwriting revenues	204,372	156,734	20,897	18,127	-	-	69,442	(1,654)	-	-	306,152	389,852	-	-	600,863	563,059
Total revenue	2,640,072	2,577,654	136,844	184,251	2,331	-	803,613	829,125	68,497	90,211	337,423	(87,931)	15,372	17,407	4,004,152	3,610,717
Less:																
Commissions paid	295,985	449,245	12,590	4,845	1,000	-	71,535	35,284	2,863	5,186	194,909	189,663	2,371	2,942	581,253	687,165
Excess of loss premium	201,973	176,476	9,724	12,173	-	-	103,992	111,147	-	-	-	-	-	-	315,689	299,796
Allocated general and administrative expenses	870,992	1,064,780	50,610	54,408	771	-	319,105	282,406	6,801	8,282	420,136	432,612	1,605	2,481	1,670,020	1,844,969
Other expenses	24,815	6,024	9,275	1,746	-	-	16,731	5,864	-	-	363,228	424,841	(76)	160	413,973	438,635
Total Expenses	1,393,765	1,696,525	82,199	73,172	1,771	-	511,363	434,701	9,664	13,468	978,273	1,047,116	3,900	5,583	2,980,935	3,270,565
Underwriting Profit (loss)	1,246,307	881,129	54,645	111,079	560	-	292,250	394,424	58,833	76,743	(640,850)	(1,135,047)	11,472	11,824	1,023,217	340,152

The attached notes from 1 to 41 form part of these 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, aviation, marine, medical motor, and liability.

The financial statements were approved by the Board of Dirctors on 22 February 2021.

(2) SIGNIFICANT ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

(2-2) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the 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 amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

These amendments had no impact on the financial statements of the company.

Amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform

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.

These amendments have no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

These amendments have no impact on the financial statements of the Company.

(2-3) Significant Accounting Policies

Business Sector

The business sector represents a set of assets and operations that jointly provides products and services subject to risks and returns different from those of other business sector which is measured based on the reports used by the top management of the Company.

The geographic sector relates to providing products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Financial assests at fair value through other comprehensive income

Equity investments that are not held for sale in the near future. These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of these asset are reclassified from fair value reserve to retained earnings and not through statement of income.

It is not allowed to reclassify any of the financial assets from/to this item line except in specific cases as described in the international financial standards.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the income statement.

Date of Recognition of financial assets

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

Fair Value

For financial instruments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The objective of the valuation method is to show a fair value that reflects market expectations. Where the fair value of an investment cannot be reliably measured, it is stated at cost less any impairment in the value.

Impairments in Financial Assets Value

The Company accounts the impairment in financial assets using expected credit losses approach in accordance with IFRS (9).

IFRS (9) requires the Company to record an allowance for ECLs for all debt instruments measured at amortized cost.

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The company uses the allotment matrix method to calculate expected credit losses, where the allotment matrix is prepared based on the historical default rate on the life expectancy of the receivables after adjusting them with future estimates. Historical defaults and future estimates are updated annually.

Cash and Cash equivalents

For cash flow purpose cash and cash equivalents comprise cash balances with banks and financial institutions maturing within three months, less bank overdrafts and restricted funds.

Investment Properties

Investment properties are measured initially at cost, including transactions costs. Investment properties are depreciated in accordance with their useful lives on a straight-line basis using annual depreciation rate of 2%. Land is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the income statement.

Accounts Receivable

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts or expected credit loss. The Company applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Reinsurance Accounts

Reinsurers shares of insurance premiums, paid claims, technical provisions, and all other rights and obligations resulting are calculated based on signed contracts between the Company and reinsures are accounted for based on accrual basis.

Reinsurance

The Company engages within its normal activities in a variety of inward and outward reinsurance operations with other insurance and reinsurance Companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties does not eliminate the Company's liability towards policy holders, where in the case the reinsurance fails to cover its share of total liability, the Company bears the total loss, therefore the Company provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Company's share of total liability for each claim.

Impairment in Reinsurance Assets

In case there is any indication as to the impairment of the reinsurance assets of the Company, which possesses the reinsured contract, the Company has to reduce the present value of the contracts and record the impairment in the statement of income,
The impairment is recognized in the following cases only:

1. There is an objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Company's inability to recover all the amounts under the contracts terms.

2. The event has a reliably and clearly measurable effect on the amounts that the Company will recover from reinsures.

Insurance policy acquisition cost

Acquisition cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in the income statement.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except land) is depreciated when its ready for use. Depreciation is computed on a straight-line basis using the following depreciation rates, and the depreciation expense is recorded in the statement of income.

	%
Buildings	2
Equipment, machines and furniture	15
Vehicles	15

Depreciation expense is calculated when property and equipment is put in use, property and equipment under construction is stated at cost less impairment loss.

Assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the statement of income.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of income.

Any item of property and equipment derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets with finite lives are amortized over the useful economic lives, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the income statement.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight line basis at 20% amortization rate.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease contract liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Provisions

Provisions are recognized when the Company has an obligation at the date of the financial statements as a result of past events, and the cost to settle the obligation are both probable and measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the preset obligation at the financial statements date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flow.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

A- Technical Reserves

Technical reserves are provided for in accordance to the Insurance Commission's instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.

2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.

3. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Company.

4. Actuarial equations are reviewed by the actuary.

B- Provision for expected credit losses

The Company has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on all its financial instruments. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

Liability adequacy test

At each statement of financial position date the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the statement of income.

Income Tax

Income tax represents current and deferred income tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income. The taxable income differs from the actual income in the statement of income because the accounting income contains expenditures and revenues that are not tax deductible in the current year but in the preceding years or the accepted accumulated losses or any other not deductibles for tax purposes.

The taxes are calculated based on enacted tax percentages which are stated by laws and regulation in the Hashemite Kingdom of Jordan.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to allow all or part of deferred tax asset to be utilized.

Offsetting

Financial assets and financial liabilities are only offsetted and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition

A- Insurance policies

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements claims expenses are recognized in the statement of income based on the expected claim value to compensate other parties.

B- Dividend and interest revenue

The Dividends revenues are realized when the shareholder has the right to receive the payment once declared by the General Assembly of Shareholders.

Interest revenues are recorded using the accrual basis based on the accrual periods, principle amount and interest rate.

Expenditures recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the statement of income during the period it occurred in and all other expenditures are recognized using the accrual basis.

Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve.

Insurance compensations payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of financial statements but not settled yet. Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

Recoverable scraped value is considered when recording the outstanding claim amount

General and administrative expenses

General and administrative expenses are distributed to each insurance division separately. Moreover, 80% of the non-distributable general and administrative expenses is allocated to different insurance departments based on the ratio of written premiums of the department to total premiums.

Employees' expenses

The traceable employees' expenses are allocated directly to insurance departments, and 80% of un-allocated employee's expenses are allocated based on earned premiums per department to total premiums.

Commission Cost

Commission cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract the commission cost is recorded in statement of income.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates.

Monetary assets and liabilities in foreign currencies are translated into Jordanian Dinar at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-financial assets and non-monetary liabilities demimonde in foreign currencies at fair value are translated at the date of the determined fair value.

Any gains or losses are taken to the statement of income.

Translation gains or losses on non-monetary items are recorded as part of change in fair value.

(2-4) Estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management are as follows:

- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed actuarial studies.
- A provision for expected credit losses in accordance with IFRS (9) is estimated by the management based on their principles and assumptions according to the Insurance Administration.

- The financial year is charged with its related income tax in accordance with regulations.

- Management periodically reviews the useful life of the Company's tangible and intangible assets in order to calculate the depreciation and amortization expense based on the status of these assets and the expected future useful lives. The impairment loss (if any) is recorded in the Income statement.

- An allowance against lawsuits in which the Company is defendant is established based on legal studies performed by the Company's lawyer by which potential risks are identified. Those studies are revised periodically.

(3) BANK DEPOSITS

This item represents the following:

	2020				2019
	Deposits mature within a month	Deposits mature within a period from 1 to 3 months*	Deposits mature within a period from 3 months to 1 year	Total	Total
	JD	JD	JD	JD	JD
Inside Jordan	-	6,592,832	-	6,592,832	7,329,577

* This item represents deposits in Jordanian Dinar in Jordanian banks as of 31 December 2020 with an interest rate that ranges between 4.35% and 5.9% and mature within three months (31 December 2019 deposits in Jordanian Dinar with an interest rate that ranges between 5.15% and 5.9% and mature within three months).

(4) INVESTMENT PROPERTIES

	Land	Buildings	Total
2020-	JD	JD	JD
Cost:			
Balance at 1 January	608,870	4,737,697	5,346,567
Balance at 31 December	608,870	4,737,697	5,346,567
Accumulated depreciation:			
Balance at 1 January	-	-	-
Depreciation for the year	-	(97,664)	(97,664)
Balance at 31 December	-	(97,664)	(97,664)
Net book value			
As at 31 December 2020	608,870	4,640,033	5,248,903
2019-			
Cost:			
Balance at 1 January	-	-	-
Transfers from Assets held for sale (Note 13)	608,870	4,733,329	5,342,199
Additions	-	4,368	4,368
Balance at 31 December	608,870	4,737,697	5,346,567
Accumulated depreciation:			
Balance at 1 January	-	-	-
Depreciation for the year	-	-	-
Balance at 31 December	-	-	-
Net book value			
As at 31 December 2020	608,870	4,737,697	5,346,567

* The Board of Directors approved in their meeting held on 23 October 2019 a work plan presented by management, which includes the reclassification of the building and the land owned by the Company in Al-Abdali with a net book value of JD 7,883,791 as at 23 October 2019. Accordingly, the building and the land have been classified as investment property and building for Company's use of JD 5,342,199 and JD 2,541,592 respectively in accordance with International Accounting Standard No. (16) and No. (40).

** As of 31 December 2020, Management is of the opinion that the fair value of the investment properties exceeds its carrying amount at that date in which Management is of the opinion that the valuation performed on 31 December 2019 continues to apply. During 2021, the Company has assigned real estate experts to perform a valuation of the Company's investment properties, valuation results are expected to be released during the first quarter of 2021.

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

This item consists of the following:

	2020	2019
	JD	JD
Quoted shares in Amman Stock Exchange	198,344	276,143

(6) CASH ON HAND AND AT BANKS

This item consists of the following:

	2020	2019
	JD	JD
Cash on hand	700	1,183
Current accounts at banks	45,592	961,594
	46,292	962,777

(7) CHECKS UNDER COLLECTION

This item consists of the following:

	2020	2019
	JD	JD
Checks under collection*	2,960,751	4,269,960

* Due dates of checks under collection varies between more than 3 months and until January 2021. This item includes checks under collection that are due from Al-Manaseer Group - a primary shareholder of JD 2,169,061 as of 31 December 2020 (2019: JD 3,183,989) (Note 30).

(8) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	2020	2019
	JD	JD
Policy holders*	8,597,843	6,979,009
Due from sister companies- The Mediterranean and Golf insurance company - Bahrain (Note 30)	6,918	6,918
Employees' receivables	947	6,669
Others	1,585	1,585
	8,607,293	6,994,181
Less: Allowance for expected credit losses**	2,899,695	1,482,348
	5,707,598	5,511,833

The below table represents the aging of receivables as of 31 December 2020:

		Past due but not impaired				
	Neither past due nor impaired	1-90 days	91-180 days	181-360 days	More than 360 days	Total
	JD	JD	JD	JD	JD	JD
31 December 2020	2,850,845	2,223,155	633,598	-	-	5,707,598
31 December 2019	2,428,977	2,335,893	416,119	217,276	113,568	5,511,833

* This item includes written premiums recivables that are due from Al-Manaseer Group - a Primary shareholder by JD 3,822,358 as of 31 December 2020 (2019: JD 1,890,017) (Note 30).

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

	2020	2019
	JD	JD
Balance at the beginning of the year	1,482,348	1,256,668
Reversal of provision	-	(4,320)
Provision for the year	1,417,347	230,000
Balance at the end of the year	2,899,695	1,482,348

(9) REINSURANCE RECEIVABLES

This item consists of the following:

	2020	2019
	JD	JD
Local insurance companies	318,667	342,159
Foreign reinsurance companies	359,817	78,588
	678,484	420,747
Less: Provision for expected credit losses	40,000	40,000
	638,484	380,747

(10) INCOME TAX

No provision for income tax was calculated for the years ended 31 December 2020 and 2019 due to the excess of expenses over taxable income in accordance with Income Tax Law No. (38) of 2018.

A summary of the reconciliation between accounting profit and taxable profit is as follows:

	2020	2019
	JD	JD
Accounting (loss) profit	(548,556)	131,134
Non deductible expenses	3,233,807	2,507,857
Non taxable income	(2,258,539)	(2,397,796)
Taxable profit	426,712	241,195
Less:Accumalted losses	(367,522)	(241,195)
Taxable profit	59,190	-
Statutory income tax rate	26%	26%
Effective income tax rate	24%	-

Income Tax

The Company reached a final settlement from Income and Sales Tax Department up to the year 2016.

The Company submitted its tax declaration for the year 2019, which has not been reviewed by the Income Tax Department.

In the opinion of the management and the Tax Consultant, Tax provisions provided for are sufficient to cover contingent tax liabilities.

Sales Tax

Final settlement for sales tax between the Company and Sales tax Department was reached until 31 December 2017.

Income tax shown in the income statement represents the following:

	31 December 2020	31 December 2019
	JD	JD
Income tax due for the year	14,228	-
	14,228	-

(11) PROPERTY AND EQUIPMENT

This item consists of the following:

	Land	Buildings	Equipment, tools and furniture	Vehicles	Total
	JD	JD	JD	JD	JD
2020-					
Cost:					
Balance as at 1 January 2020	305,382	2,238,288	425,884	133,080	3,102,6
Additions	-	226,820	1,082	-	227,9
Disposals	-	-	(7,626)	-	(7,6
Balance as at 31 December 2020	305,382	2,465,108	419,340	133,080	3,322,9
Accumulated depreciation:					
Balance as at 1 January 2020	-	-	355,642	91,099	446,7
Additions	-	41,856	20,311	11,272	73,4
Disposals	-	-	(6,960)	-	(6,9
Balance as at 31 December 2020	-	41,856	368,993	102,371	513,2
Net book value as at 31 December 2020	305,382	2,423,252	50,347	30,709	2,809,6
2019 -					
Cost:					
Balance as at 1 January 2019	-	-	425,884	133,080	558,9
Transfers from Assets held for sale (Note 13)	305,382	2,236,210	-	-	2,541,5
Additions	-	2,078	-	-	2,0
Balance as at 31 December 2019	305,382	2,238,288	425,884	133,080	3,102,6
Accumulated depreciation:					
Balance as at 1 January 2019	-	-	332,876	77,892	410,7
Additions	-	-	22,766	13,207	35,9
Balance as at 31 December 2019	-	-	355,642	91,099	446,7
Net book value as at 31 December 2019	305,382	2,238,288	70,242	41,981	2,655,8

(12) LEASES

The table below shows the carrying amounts of the Company's right-of-use assets and lease contracts liabilities and the movements during the year ended 31 December:

2020-	Right of use assets	Lease Liabilities*
	JD	JD
At 1 January 2020	52,966	47,595
Depreciation (Note 26)	(11,067)	-
Finance costs (Note 26)	-	3,412
Payments	-	(10,851)
Lease contracts termination	(25,127)	(24,239)
At 31 December 2020	**16,772**	**15,917**
2019-		
At 1 January 2019	60,365	55,912
Depreciation (Note 26)	(7,399)	-
Finance costs (Note 26)	-	2,534
Payments	-	(10,851)
At 31 December 2019	**52,966**	**47,595**

*Lease liabilities details as of 31 December 2020 and 31 December 2019 are as follows:

31 December 2020			31 December 2019		
Short term	Long term	Total	Short term	Long term	Total
15,917	-	15,917	31,678	15,917	47,595

(13) ASSETS HELD FOR SALE

The Board of Directors approved in their meeting held on 23 October 2019 a work plan presented by management, which includes the reclassification of the building and the land owned by the Company in Al-Abdali with a net book value of JD 7,883,791 as at 23 October 2019. Accordingly, the building and the land have been classified as investment property and building for Company's use of JD 5,342,199 (Note 4) and JD 2,541,592 (Note 11) respectively in accordance with International Accounting Standard No. (16) and No. (40).

(14) INTANGIBLE ASSETS

	Computer system's and software	
	2020	2019
	JD	JD
Cost:		
Balance at the beginning of the year	263,963	263,963
Balance at the end of the year	263,963	263,963
Accumulated amortization:		
Balance at the beginning of the year	241,802	224,661
Amortization	14,076	17,141
Balance at the end of the year	255,878	241,802
Net book value	8,085	22,161

(15) OTHER ASSETS

This item consists of the following:

	2020	2019
	JD	JD
Accrued revenues	187,084	131,887
Prepaid expenses	50,941	43,113
Advance income tax to payment on bank interest	77,419	68,461
Advanced payments to the Income Tax Department	3,401	3,404
Refundables against letters of gurantees (Note 38)	11,969	19,496
	330,814	266,361

(16) ACCOUNTS PAYABLE

This item consists of the following:

	2020	2019
	JD	JD
Amounts due to sister companies -Medivisa Jordan (Note 30)	13,807	66,713
Policy holders	1,064,878	425,702
Medical network payables	1,178,307	1,120,645
Other payables	510,221	348,521
	2,767,213	1,961,581

(17) REINSURANCE PAYABLES

This item consists of the following:

	2020	2019
	JD	JD
Local insurance companies*	840,994	951,691
Foreign reinsurance companies*	1,091,920	1,975,256
	1,932,914	2,926,947

* This item includes payabels due to related parties of JD 833,469 as of 31 December 2020 (2019: JD 1,111,256) (Note 30).

(18) OTHER LIABILITIES

This item consists of the following:

	2020	2019
	JD	JD
Commissions due	188,406	159,992
Income tax withholdings	67,121	130,829
Due to shareholders	15,345	15,345
Social security withholdings	13,436	15,145
Stamps withholdings	10,470	11,183
Others	30,075	26,956
	324,853	359,450

(19) PAID IN CAPITAL

Authorized and paid in capital amounted to JD 10,000,000 divided into 10,000,000 shares with a par value of JD 1 each as of 31 December 2019 and 2020.

(20) LEGAL RESERVE

Statutory reserve -

This amount represents appropriations at 10% of pretax income during this year and prior years. This reserve is not available for distribution to shareholders.

(21) FAIR VALUE RESERVE

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

	2020	2019
	JD	JD
Balance at beginning of the year	(450,296)	(428,206)
Change in fair value during the year	(77,799)	(22,090)
Balance at the end of the year	(528,095)	(450,296)

(22) ACCUMULATED LOSSES

The item consists of the following:

	2020	2019
	JD	JD
Beginning balance	(3,869,150)	(3,987,171)
(Loss) profit for the year	(562,784)	131,134
Transfers to statutory reserve	-	(13,113)
Balance at the end of the year	(4,431,934)	(3,869,150)

(23) INTEREST INCOME

This item consists of the following:

	2020	2019
	JD	JD
Interest on bank deposits	342,517	394,260

(24) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	2020	2019
	JD	JD
Cash dividends received (financial assets at fair value through other comprehensive income)	-	21,998

(25) EMPLOYEE EXPENSES

This item consists of the following:

	2020	2019
	JD	JD
Salaries and bonuses	900,858	892,382
Company's share form social security	98,879	108,166
Medical expenses	70,192	78,666
Travel and transportation	21,910	32,532
Training	500	410
Total	1,092,339	1,112,156
Allocated employee expenses to the underwriting account	966,060	988,334
Unallocated employee expenses to the underwriting account	126,279	123,822

(26) GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2020	2019
	JD	JD
Insurance Administration fees	111,001	201,573
Consulting and legal fees	173,444	242,611
Board of Directors expenses	145,560	90,480
Rent	93,905	76,323
Property Tax	52,304	104,067
Maintenance	37,085	34,466
Training	27,612	-
Utilities and office cleaning expenses	30,995	38,930
Postage and telecommunications	23,482	27,196
Stationary and printing	15,837	25,825
Bank charges	22,390	22,446
Vehicles expenses	13,524	13,514
Depreciation of right of use assets (Note 12)	11,067	7,399
Water, electricity and heating	69,836	53,360
Intrest on Lease Liability (Note 12)	3,412	2,534
Government fees and other fees	23,092	46,460
Advertisements	1,060	3,678
Others	33,454	84,147
Total	889,060	1,075,009
Allocated general and administrative expenses to the underwriting accounts	703,960	856,635
Unallocated general and administrative expenses to the underwriting accounts	185,100	218,374

(27) OTHER EXPENSES RELATED TO POLICIES' UNDERWRITING

This item consists of the following:

	2020	2019
	JD	JD
Medical claims management fees	309,458	404,635
Other premiums expenses	104,515	34,000
	413,973	438,635

(28) BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the (Loss) profit for the year by the weighted average number of shares during the year.

	2020	2019
(Loss) Profit for the year/ Dinars	(562,784)	131,134
Weighted average number of shares	10,000,000	10,000,000
	JD/Fils	JD/Fils
Basic and diluted (losses) earnings per share from current year's (Loss) profit	(0/056)	0/013

(29) CASH AND CASH EQUIVALENTS

The cash and cash equivalents that appear in the statement of cash flows represent the following:

	2020	2019
	JD	JD
Cash on hand and at banks (Note 6)	46,292	962,777
Add: Deposits at banks that mature within a period of three months (Note 3)	6,592,832	7,329,577
Net Cash and cash equivalent	6,639,124	8,292,354

(30) 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.

Following is a summary of balances with related parties including in the statement of financial position as of 31 December:

	2020	2019
	JD	JD
Due from related parties:		
Accounts receivable from Al-Manaseer Group - a primary shareholder (Note 8)	3,822,358	1,890,017
The Mediterranean and Gulf Insurance company – Bahrain (Note 8) (Sister Company)	6,918	6,918
Checks under collection due from Al-Manaseer Group - a primary shareholder (Note 7)	2,169,061	3,183,989
	5,998,337	5,080,924
Due to related parties:		
Addison Bradley International Lebanon – (Reinsurance Brokerage firm) * (Sister Company) (Note 17)	633,869	911,656
Addison Bradley Jordan (Sister Company) (Note 17)	199,600	199,600
Medivisa Company – Jordan (Sister Company) (Note 16)	13,807	66,713
	847,276	1,177,969

* The insurance premiums have been paid to the foreign reinsurance companies through Addison Bradley International - Lebanon of JD 397,210 for the year ended 31 December 2020 (2019: JD 515,044). Commissions that were earned from this brokerage have been recorded by the Company with a total amount of JD 45,123 for the year ended 31 December 2020 (2019: JD 36,629).

The following is a summary of the transactions with associated companies included in the statement of comprehensive income:

	2020	2019
	JD	JD
Written premiums from Al-Manaseer Group - a primary shareholder	5,818,625	5,059,610

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

	2020	2019
	JD	JD
Salaries and benefits	270,800	233,950

(31) FAIR VALUE OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of cash and deposits at banks, accounts receivable, reinsurance receivables and other debit balances. Financial liabilities consist of accounts payabe, reinsurance payables lease abligations and other credit balances.

There are no material differences between the carrying values and fair values of financial assets and financial liabilities.

(32) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the following order of valuation methods and alternatives in determining and presenting the fair value of financial instruments:

Level 1: Market prices published in active markets for the same assets and liabilities.

Level 2: Other techniques where all the inputs that have a significant impact on the fair value can be observed directly or indirectly from the market information.

Level 3: other techniques which use inputs have a significant effect on the fair value but it is not based on information from the market can be observed.

The following table provides an analysis of financial instruments recorded at fair value, according to the hierarchy of the above:

	Level 1	Level (2)	Level (3)	Total
	JD	JD	JD	JD
2020-				
Financial assets				
Financial assets at fair value through other comprehensive income	198,344	-	-	198,344
	198,344	-	-	198,344
2019-				
Financial assets				
Financial assets at fair value through other comprehensive income	276,143	-	-	276,143
	276,143	-	-	276,143

(33) RISK MANAGEMENT

The Company manages different kinds of risks through its comprehensive strategy set out to identify risks and ways to address and mitigate them through the Risk Management Unit and the Investment Committee, where the risks are reviewed and the necessary measures taken to address risk and work to reduce such risks. In addition, all duty stations are responsible for identifying risks related to their activities, establishing appropriate controls and monitoring the continuity of their effectiveness. The Company is exposed to insurance risks, credit risk, liquidity risk and market risk.

Risk management process
The Board of Directors is responsible for the identification and control of risks. In addition, several other parties are responsible for the Company's risk management process.

Risk committee
The Risk Committee has the overall responsibility for developing the risk strategy and applying the general principles, frameworks and permissible limits.

Risk measurement and reporting systems
Risk monitoring and controlling process is performed through monitoring the limits allowed for each type of risk. These limits reflect the Company's business strategy and the various market factors surrounding them.

Information is collected from the different departments of the Company and analyzed to identify the expected risks that may be resulted. This information is presented and explained to the Board of Directors.

A. Insurance Risk

1. Insurance Risk

Risks of any insurance policy represents the probability of occurrence of the insured accident and the uncertainty of the related claim amount due to the nature of the insurance policy whereby the risks are volatile and unexpected in connection with insurance policies of a certain insurance class. As regards the application of the probability theory on pricing and the reserve, the primary risks facing the Company are that incurred claims and the related payments may exceed the book value of the insurance obligations. This may happen if the probability and risk of claims are greater than expected. As insurance accidents are unstable and vary from one year to another, estimates may differ from the related statistics.

Studies have shown that the more similar the insurance policies are, the nearer the expectations are to the actual loss. Moreover, diversifying the types of insurance risks covered decreases the probability of the overall insurance loss.

The Company mitigates the above risks by diversifying its insurance policies, as well as the improvement of risk changes by carefully selecting and implementing insurance strategies and guidelines, and using reinsurance agreements.

Duplicate Claims

Claims can be duplicated and their amounts can be affected due to different factors. The Company's main insurance business is fire, general accident, motor, aviation and marine risk insurance. These insurance policies are considered short term and are usually paid within one year from the date of the accident. This helps to reduce the risk of insurance.

The Company's main insurance activities are as follows:

Fire and other damage to property

The purpose of insurance for property is to compensate policyholders for the damage to their property or the value of lost property. The policyholders may also receive compensation for loss of profits because they cannot use their Insured property.

The main risks to property insurance contracts are fire and business interruption. In recent years, the company has issued insurance policies only for properties with fire alarms, in addition to the minimum number of fire alarms and public safety devices.

These contracts are concluded on the basis of the replacement value of the properties and their insured contents. The cost of rebuilding the properties, providing alternatives to their contents and the time needed to restart the discontinued operations are the main factors affecting the size of the Company's claims. The Company has a cover of reinsurance companies to limit losses for any major or minor claim.

Motor

The purpose of motor insurance is to compensate policyholders for damage to their vehicles or third party liability arising from accidents. Holders of policy may also be compensated for the burning or theft of their vehicles.

For motor insurance, the main risks are compensation for death and personal injury and replacement or repair of vehicles.

The claims paid for death and injured and car replacement costs are the main factors influencing the size of the claims.

Aviation

For aviation insurance the main risks are the loss or damage, injury, or loss of life or cargo while traveling on aircraft in total or partial.

The purpose of aviation insurance is to compensate policyholders for damage and liability arising from the loss or damage arising from the ownership, maintenance, or use of aircraft, hangars, or airports including damage to aircraft, personal injury, and property damage.

The strategy for the aviation insurance sector is to ensure that insurance policies are diversified in relation to aircrafts, shipping and routes covered by insurance. The Company has a cover of reinsurance companies to limit losses for any major or minor claim.

Marine and transportation

For marine insurance and transportation, the main risks are the loss or damage of marine and land units and accidents resulting in total or partial loss of goods.

The purpose of marine insurance and transportation is to compensate policyholders for damage and liability arising from the loss or damage of marine and land units and accidents that occur in the sea and land and that result in partial or total loss of goods.

The strategy for the marine insurance and transportation sector is to ensure that insurance policies are diversified in relation to ships, shipping and land routes covered by insurance. The Company has a cover of reinsurance companies to limit losses for any major or minor claim.

Medical

Includes the loss of the insured when the damage is caused by illness or disability and the result is fixed financial benefits or benefits in the form of compensation or a combination of both benefits.

2. Claims Development

The schedules below show the actual claims (based on management's estimates at year- end) compared to the expectations for the past four years based on the year in which the insurance claims were reported as follows:

Total - Motor Insurance:

The accident year	2016 and before JD	2017 JD	2018 JD	2019 JD	2020 JD	Total JD
At the end of the year	44,143,070	7,530,924	6,716,097	7,032,608	5,959,459	-
After one year	45,765,670	9,022,636	7,870,280	8,153,982	-	-
After two years	46,385,618	9,357,816	8,225,284	-	-	-
After three years	46,546,928	9,531,317	-	-	-	-
After four years	46,803,116	-	-	-	-	-
Present expectation for the accumulated claims	46,803,116	9,531,317	8,225,284	8,153,982	5,959,459	78,673,15
Accumulated claims	46,402,457	9,060,249	7,471,408	6,798,301	3,263,229	72,995,64
Liability as in the statement of financial position:	926,783	599,225	875,708	1,602,779	4,825,056	8,829,55
Reported	926,783	599,225	875,708	1,602,779	3,093,056	7,097,55
Unreported	-	-	-	-	1,732,000	1,732,00
Surplus in the preliminary estimate for reserve	2,660,047	2,000,393	1,509,187	1,121,373	-	7,291,00

Total - Marine:

The accident year	2016 and before JD	2017 JD	2018 JD	2019 JD	2020 JD	Total JD
At the end of the year	770,888	12,924	61,903	51,498	99,172	-
After one year	759,816	12,924	90,636	51,954	-	-
After two years	757,956	21,424	90,636	-	-	-
After three years	773,956	24,887	-	-	-	-
After Four years	773,956	-	-	-	-	-
Present expectation for the accumulated claims	773,956	24,887	90,636	51,954	99,172	1,040,60
Accumulated payments	518,916	24,887	88,241	51,954	45,592	729,59
Liability as in the statement of financial position:	251,545	3,495	1,100	1,295	69,027	326,46
Reported	251,545	3,495	1,100	1,295	53,580	311,01
Unreported	-	-	-	-	15,447	15,44
Deficit in the preliminary estimate for reserve	(3,068)	(11,963)	(28,733)	(457)	-	(44,221

Total – Fire and Property

The accident year	2016 and before JD	2017 JD	2018 JD	2019 JD	2020 JD	Total JD
At the end of the year	3,171,887	306,331	262,003	427,074	190,170	-
After one year	3,540,104	585,241	438,281	530,910	-	-
After two years	3,628,088	511,150	411,808	-	-	-
After three years	3,260,136	470,103	-	-	-	-
After four years	3,265,088	-	-	-	-	-
Present expectation for the accumulated claims	3,265,088	470,103	411,808	530,991	190,170	4,868,160
Accumulated payments	3,236,193	447,287	350,709	389,547	41,524	4,465,260
Liability as in the statement of financial position:	28,622	930	55,947	87,442	530,719	703,660
Reported	28,622	930	55,947	87,442	529,959	702,900
Unreported	-	-	-	-	760	760
Deficit in the preliminary estimate for reserve	(93,201)	(163,772)	(149,805)	(103,917)	-	(510,695)

Total – Liability

The accident year	2016 and before JD	2017 JD	2018 JD	2019 JD	2020 JD	Total JD
At the end of the year	79,055	21,898	27,724	2,650	13,400	-
After one year	81,400	15,558	29,551	3,450	-	-
After two years	85,679	15,558	29,051	-	-	-
After three years	91,067	20,558	-	-	-	-
After four years	89,807	-	-	-	-	-
Present expectations for the accumulated claims	89,807	20,558	29,051	3,450	156,265	299,131
Accumulated payments	43,718	26,141	14,058	4,111	2,650	90,678
Liability as in the statement of financial position:	19,948	1,500	29,939	-	12,700	64,087
Reported	19,948	1,500	29,939	-	11,700	63,087
Unreported					1,000	1,000
(Deficit) Surplus in the preliminary estimate for reserve	(10,752)	1,340	(1,327)	(800)	-	(11,539)

Total – Medical

The accident year	2016 and before JD	2017 JD	2018 JD	2019 JD	2020 JD	Total JD
At the end of the year	-	-	-	-	5,968,338	-
After one year	-	-	-	-	-	-
After two years	-	-	-	-	-	-
After three years	-	-	-	-	-	-
After four years	-	-	-	-	-	-
Present expectation for the accumulated claims	-	-	-	-	5,968,338	5,968,338
Accumulated payments	-	-	-	-	5,401,539	5,401,539
Liability as in the statement of financial position:	-	-	-	-	631,750	631,750
Reported	-	-	-	-	566,799	566,799
Unreported	-	-	-	-	64,951	64,951
Surplus in the preliminary estimate for reserve	-	-	-	-	-	-

Total – Others

The accident year	2016 and before JD	2017 JD	2018 JD	2019 JD	2020 JD	Total JD
At the end of the year	62,507	585	33	5,153	-	
After one year	73,653	15,977	6,208	6,478	-	
After two years	78,587	20,658	6,722	-	-	
After three years	78,587	20,658	-	-	-	
After four years	-	-	-	-	-	
Present expectation for the accumulated claims	78,587	20,658	6,722	6,478	-	112,445
Accumulated payments	78,368	20658	6,722	6,478	-	112,226
Liability as in the statement of financial position:	221	-	-	-	1,350	1,571
Reported	221	-	-	-	-	221
Unreported	-	-	-	-	1,350	1,350
Deficit in the preliminary estimate for reserve	(16,080)	(20,074)	(6,689)	(1,325)	-	(44,168)

3. INSURANCE RISK CONCENTRATIONS

Below are schedules presenting risk concentration based on insurance type and the geographical distribution.

Assets and liabilities of insurance policies are concentrated according to the types of insurance as follows:

	2020		2019	
	Net	Gross	Net	Gross
	JD	JD	JD	JD
Insurance types				
Motor	12,170,852	13,333,302	12,779,561	13,870,697
Marine	39,298	416,428	33,911	394,881
Aviation	-	6,073	-	-
Fire and properties	258,169	2,547,430	287,987	2,200,174
Liability	75,164	103,426	64,555	91,186
Medical	1,703,203	1,703,203	2,639,286	2,639,286
Other	2,012	11,725	3,827	20,302
Total	14,248,698	18,121,587	15,809,127	19,216,526

All assets and liabilities of insurance policies are within Jordan.

The table below represents the distribution of assets and liabilities by sector:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
According to Sector				
Companies and corporations	6,173,564	4,463,415	5,742,136	4,610,963
Individuals	172,518	236,712	150,444	277,565
Total	6,346,082	4,700,127	5,892,580	4,888,528

4. RISK OF REINSURANCE

As with other insurance companies, and in order to reduce exposure to financial losses that may result from large insurance claims, the company enters into reinsurance agreements in the ordinary course of business with third parties.

In order to reduce the exposure to large losses as a result of the reinsurance companies' insolvency, the company evaluates the financial condition of its reinsurers and monitors the credit risk arising from geographical regions and similar economic activities or components. Reinsurance policies do not exempt the company from its obligations towards the policyholders, and as a result, the company remains committed to the balance of reinsured claims if reinsurers are unable to meet their obligations under reinsurance policies.

5. INSURANCE RISK SENSITIVITY

The table below shows the effect of the possible reasonable change in underwriting premium rates on the statement of income and equity keeping all other affecting variables fixed.

Insurance activities	Change %	Effect on the underwriting premium JD	Effect on the current year pre-Tax profit JD	Effect on equity* JD
Motor	10%	897,098	974,681	740,758
Marine	10%	30,548	2,694	2,047
Aviation	10%	1,100	-	-
Fire and properties	10%	287,124	23,038	17,509
Liability	10%	9,703	7,675	5,833
Medical	10%	486,024	518,701	394,213
Others	10%	2,291	426	324
Total		1,713,888	1,527,215	1,160,684

* Net after deducting income tax effect.

If there is negative change the effect equals the change above with changing the sign.

The table below shows the effect of the possible reasonable change in claims cost on the statement of income and equity keeping all other affecting valuables fixed.

Insurance activities	Change %	Effect on the paid claims JD	Effect on the current year pre-Tax profit JD	Effect on equity* JD
Motors	10%	860,674	(767,458)	(583,268)
Marine	10%	7,733	(2,286)	(1,737)
Aviation	10%	-	-	-
Fire and properties	10%	69,702	(10,736)	(8,159)
Liability	10%	250	(1,466)	(1,115)
Medical	10%	596,834	(530,192)	(402,946)
Others	10%	426	(37)	(28)
Total		1,535,619	(1,312,175)	(997,253)

* Net after deducting income tax effect.

If there is negative change the effect equals the change above with changing the sign.

(B) FINANCIAL RISKS

The Company follows financial policies to manage several risks within a specified strategy. The Company's management observes and controls the risk and determines the most suitable strategic risk distribution procedures for each of the financial assets and liabilities. This risk includes: market risk, liquidity risk, and credit risk.

The Company follows a hedging policy for each of its assets and liabilities when required, the hedging policy is related to future expected risks.

1- Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices such as interest rates, currency prices and stock prices. These risks are monitored according to specific policies and procedures and through specialized committees and business units.

Market risk and its related controls are measured through sensitivity analysis.

- Interest Rate Risk

The company is exposed to interest rate risk on its assets and liabilities which hold interest such as deposits at banks.

As of 31 December 2020 interest rates on bank deposits balance in Jordanian Dinars range from 4.35% to 5.9% (2019: 5.15%-5.9 %).

The following table shows the sensitivity of the income statements to reasonably possible changes on interest rates as at 31 December 2020 and 2019.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's (loss) profit for one year, based on the floating rate financial assets and financial liabilities held as 31 Decemeber 2020 and 2019:

	Increase in interest rate	Effect on the current year pre-tax loss
2020	Percentage	JD
Currency Jordanian Dinar	1%	(65,928)

2019	Increase in interest rate	Effect on the current year pre-tax profit
	Percentage	JD
Currency		
Jordanian Dinar	1%	73,296

If there was a negative change, the effect is equal to the above change with the opposite sign.

Share Price Risk

The table below shows the sensitivity of the accumulated change in the fair value as a result for the reasonable change of stock prices, with all other variable fixed:

2020-

Indicator	Increase indicator	Effect on equity
	Percentage	JD
Amman Stock Exchange	10%	19,834

2019-

Indicator	Increase indicator	Effect on equity
	Percentage	JD
Amman Stock Exchange	10%	27,614

If there was a negative change, the effect is equal to the above change with the opposite sign.

- **Foreign Currencies Risks**

The foreign currencies risks are the risks relating to the change in the value of the financial instruments due to the change in the foreign currencies exchange rates. Moreover, the Jordanian Dinar is considered the Company's functional currency. The Board of Directors sets the limits for the financial position of each currency at the Company. Additionally, the foreign currencies positions are monitored daily. Strategies are adopted to ensure that the positions of foreign currencies are maintained within the approved limits.

Most of the Company's assets and liabilities are funded in Jordanian Dinar or US Dollar. The exchange rate of the US Dollar (1/41 Dolar to Dinar) and the probability of this risk is very minimal. The company's management believes that the foreign currencies risks and their impact on the financial statements are immaterial.

2- Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated as they fall due. To limit this risk, management arranges diversified funding sources, manages assets and liabilities, and monitors liquidity on a daily basis and maintains sufficient amount of cash and cash equivalents.

The Company applies a suitable system to manage its short and long term funding risk and maintains sufficient reserves through monitoring the expected cash flows and comparing the maturity of assets with the maturity of financial and technical liabilities.

The table below summarizes the maturity profile of the company's financial liabilities based on contractual undiscounted payments:

	Less than month	1 month to 3 months	3-6 months	6 months to 1 year	1-3 years	Without maturity	Total
	JD	*JD*	*JD*	*JD*	*JD*	*JD*	*JD*
2020 -							
Liabilities:							
Accounts payables	-	-	2,767,213	-	-	-	2,767,213
Accrued expenses	-	43,100	-	-	-	-	43,100
Reinsurance payables	-	-	-	1,932,914	-	-	1,932,914
Lease obligation	-	-	-	-	15,917	-	15,917
Other payables	-	-	324,853	-	-	-	324,853
Total liabilities	-	43,100	3,092,066	1,932,914	15,917	-	5,083,997
Total Assets based on the expected maturity	8,222,174	11,587,330	1,526,055	372,269	-	2,850,737	24,558,565
2019 -							
Liabilities:							
Accounts payables	-	-	1,961,581	-	-	-	1,961,581
Accrued expenses	-	53,832	-	-	-	-	53,832
Reinsurance payables	-	-	-	2,926,947	-	-	2,926,947
Lease obligation	-	-	1,439	9,630	36,526	-	47,595
Other payables	-	-	359,450	-	-	-	359,450
Total liabilities	-	53,832	2,322,470	2,936,577	36,526	-	5,349,405
Total Assets based on the expected maturity	8,106,638	8,215,492	6,454,716	1,326,722	131,912	2,839,505	27,074,985

3. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is not exposed to credit risk from its operating activities and from its deposits with banks and other financial instruments. The company maintains its bank accounts at leading financial instruments.

The company provides services to a large number of clients where the five biggest clients represent 28% of total trade receivable balances as of 31 December 2020 (2019: 27%).

(34) ANALYSIS OF MAIN SECTORS

A- 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-Geographic concentration of risk

The Company mainly operates in Jordan, which represents domestic operations. Also, the Company exercises international activities through its allies in the Middle East, Europe, Asia, America and the Near East, which represent international business.

The following table represents the distribution of income and assets of the Company and capital expenditure by geographic region:

	Inside the Kingdom		Outside the Kingdom		Total	
	2020	2019	2020	2019	2020	2019
	JD	JD	JD	JD	JD	JD
Total revenues	17,017,798	19,002,851	450,239	476,508	17,468,037	19,479,359
Capital expenditure	-	6,446	-	-	-	6,446

The table below represents the distribution of assets and liabilities according to geographical distribution as follows:

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
According to geographical area:	JD	JD	JD	JD
Inside Jordan	24,558,565	19,332,695	27,074,985	21,208,532
Other Middle East Countries	-	-	-	-
Europe	-	-	-	-
America	-	-	-	-
	24,558,565	19,332,695	27,074,985	21,208,532

(35) 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 maximumize 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 following table represents the Company's available capital and solvency ratio:

	2020	2019
	JD	JD
Total available capital	5,225,870	5,866,453
Capital requirements		
Capital requirement against asset risks	2,869,771	3,378,206
Capital requirement against underwriting liabilities	2,260,161	2,402,270
Capital requirement against the reinsurance risk	5,044	19,698
Total required capital	5,134,976	5,800,174
Solvency margin ratio	101,8%	101,1%

The company's solvency ratio reached 101,8% as of 31 December 2020, which is less than the ratio determined by the Insurance Administration, which is 150%.

(36) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

2020 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets-			
Bank deposits	6,592,832	-	6,592,832
Financial assets at fair value through profit or loss	-	198,344	198,344
Cash on hand and at banks	46,292	-	46,292
Checks under collection and notes receivables	2,960,751	-	2,960,751
Reinsurance receivables	638,484	-	638,484
Accounts receivable – net	5,707,598	-	5,707,598
Property and equipment – net	-	2,809,690	2,809,690
Intangible assets	-	8,085	8,085
Other assets	330,814	-	330,814
Right of use asset	16,772	-	16,772
Investment Properties	-	5,248,903	5,248,903
Total Assets	16,293,543	8,265,022	24,558,565
Liabilities-			
Unearned premium reserve, net	5,732,065	-	5,732,065
Outstanding claims reserve, net	8,516,633	-	8,516,633
Premium deficiency reserve, net	-	-	-
Accounts payable	2,767,213	-	2,767,213
Reinsurance payables	1,932,914	-	1,932,914
Accrued expenses	43,100	-	43,100
Other liabilities	324,853	-	324,853
Lease Obligation	15,917	-	15,917
Total Liabilities	19,332,695	-	19,332,695
Net	(3,039,152)	8,265,022	5,225,870

2019 -	Within 1 year JD	More than 1 year JD	Total JD
Assets-			
Bank deposits	7,329,577	-	7,329,577
Financial assets at fair value through profit or loss	-	276,143	276,143
Cash on hand and at banks	962,777	-	962,777
Checks under collection and notes receivables	4,038,050	231,910	4,269,960
Reinsurance receivables	380,747	-	380,747
Accounts receivable – net	5,511,833	-	5,511,833
Property and equipment – net	-	2,655,893	2,655,893
Intangible assets	-	22,161	22,161
Other assets	266,361	-	266,361
Right of use asset	-	52,966	52,966
Investment Properties	-	5,346,567	5,346,567
Total Assets	18,489,345	8,585,640	27,074,985
Liabilities-			
Unearned premium reserve, net	7,008,674	-	7,008,674
Outstanding claims reserve, net	8,800,453	-	8,800,453
Premium deficiency reserve, net	50,000	-	50,000
Accounts payable	1,961,581	-	1,961,581
Reinsurance payables	2,926,947	-	2,926,947
Accrued expenses	53,832	-	53,832
Other liabilities	359,450	-	359,450
Lease Obligation	11,069	36,526	47,595
Total Liabilities	21,172,006	36,526	21,208,532
Net	(2,682,661)	8,549,114	5,866,453

(37) LAWSUITS AGAINST THE COMPANY

The company is defendant in a number of cases amounted to JD 3,028,262 as of 31 December 2020 (2019: JD 2,720,963). In the opinion of the Company's management and its legal counsel, the Company has sufficient provision to meet the obligations related to these cases.

(38) CONTINGENT LIABILITIES

The Company has contingent liabilities consisting of bank guarantees of JD 119,678 as of 31 December 2020. Cash collateral against those guarantees amounted to JD 11,969 as of 31 December 2020 (2019: JD 194,957 with cash collateral amounted to JOD 19,496) (Note 15).

(39) COVID-19 PANDAMIC

As a result of the continuing impact of the Coronavirus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and procedures imposed by the Jordanian government, neighboring countries and the rest of the world, the Company's management prepared a study to determine the extent of the impact of the Corona virus on the Company's activities and its financial data to take appropriate measures to enable it to continue its activities in light of the current circumstances, as operational activities may be affected by global developments that currently affect various economic and geographical sectors.

(40) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts
IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement,
- the right to defer must exist at the end of the reporting period,
- that classification is unaffected by the likelihood,
- that an entity will exercise its deferral right,
- and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

IBOR reform Phase 2

IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the company's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the company to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the company may elect on a hedge by hedge basis to reset the cumulative fair value change to zero.

The company may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the company reasonably expects the RFR to become separately identifiable within 24 months.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments is not applicable to the Company.

(41) Comparative figures

Some of the 2019 figures were reclassified to correspond with the year ended 31 December 2020 presentation with no effect on equity or income for the year 2019.