MEDGULF ميدغلف

THE MEDITERRANEAN & GULF INSURANCE CO. P. L. C. - JORDAN شركة المتوسط والخليج للتأمين ش.م.ع. - الأردن

للإيضاح

* بورصة عمان

* السيد محمد

٥/٢٧

التاريخ:2019/05/26 م.

757/M2019/FE/LET/MAQ

السادة : هيئة الأوراق المالية المحترمين .

الموضوع : **البيانات المالية للربع الرابع 2018 باللغة الإنجليزية**

بعد التحية ،،،

نرفق لكم البيانات المالية للربع الرابع من عام 2018 باللغة الإنجليزية والموافق عليها من قبل مجلس الإدارة

وتفضلوا فائق الإحترام

شركة المتوسط والخليج للتأمين - الأردن

"محمد الأمين" أبوقورة

المدير العام

شركة المتوسط والخليج للتأمين ش.م.ع - الأردن ٥ ميدغلف MEDGULF THE MEDITERRANEAN & GULF INSURANCE CO. P.L.C. JORDAN 5

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٢٧ آيار ٢٠١٩
الرقم المتسلسل ٢٣٠٥٧
الجهة المختصة .....

Al Salam Bldg, No. 242, Wadi Saqra, Arar St., 2nd, 3rd, 4th and 6th floor مبنى السلام ٢٤٢ ، وادي صقرة ، شارع عرار، الطابق الثاني ، الثالث ، الرابع والسادس
Amman, Jordan. T.+962 6 5633000 F. +962 6 5633011 www.medgulf.com عمان الأردن. هـ. ٥٦٣٣٠٠٠ ٦ ٩٦٢+ ف. ٥٦٣٣٠١١ ٦ ٩٦٢+
JORDAN . LEBANON . KSA . BAHRAIN . UAE . EGYPT الأردن . لبنان . المملكة العربية السعودية . البحرين . الإمارات المتحدة . مصر

Fatima 26/5/2019

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2018

EY
Building a better working world

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of the Mediterranean and Gulf Insurance Company
Amman – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN a public shareholding company (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of income, the 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (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 opinion.

Emphasis of Matters

- As disclosed in notes (10) and (11), the board of directors approved a work plan to sell the building and the land owned by the Company in Al-Abdali. It is expected that the sale transaction will take place during the second quarter of 2019. Accordingly, the building and the land have been classified as assets held for sale in accordance with the International Financial Reporting Standard No. (5).

- The Company's solvency ratio reached 47,9% as of 31 December 2018, which is less than the ratio determined by the Insurance Administration, which is 150%.

EY
Building a better working world

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 2018. 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**	**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. The total written premium is JD 18,760,114 for the year ended 31 December 2018.	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	How the key audit matter was addressed in the audit
The Company has significant insurance liabilities of JD 15,066,343 representing 73% 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 details in note (2) to the financial statement.

3. Sufficiency of provision for expected credit losses	How the key audit matter was addressed in the audit
The Company's total receivables amounted to JD 3,242,546 as of 31 December 2018. The customer base consists of a large number of clients and are categorized by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Company does not grant the accounts receivable long term or significant financing, accordingly, the loss allowance for such trade receivables is always measured using the simplified approach at an amount equal to lifetime time expected credit losses. To determine the expected credit losses for the portfolio, the Company uses a provision matrix. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Due to the significance of trade receivables and the related estimation uncertainty this is considered a key audit matter.	Our audit procedures included the following: - Obtain the expected credit loss provision calculation as of yearend. - Evaluated management's assessment of the appropriateness of assumptions used in the historical loss rate calculation. These considerations include whether there are regular receipts from the customers, past collection history. - Check the reasonableness of customers categorizations by common risk characteristics. - Check the reasonableness of the data used in the forward-looking estimates to determine the expected loss rate. - Recalculate Lifetime expected credit loss allowance. The disclosures that are related to provision for expected credit losses are details in note (7) to the financial statements. Disclosure of the assumptions and accounting policies related to provision for expected credit losses are details in note (2) to the financial statements.

Other information included in the Company's 2018 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. The Company's 2018 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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:

- 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, related safeguards.

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.

Ernst & Young / Jordan

Ernst + Young

Bishr Ibrahim Baker
Registration No. 592

Amman – Jordan
28 February 2019

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Assets			
Investments -			
Bank deposits	3	8,766,365	9,337,942
Financial assets at fair value through other comprehensive income	4	298,233	268,939
Total Investments		9,064,598	9,606,881
Other Assets -			
Cash on hand and at banks	5	107,005	233,904
Checks under collection	6	5,271,959	1,893,495
Accounts receivable, net	7	3,242,701	5,609,756
Reinsurance receivables	8	390,034	443,881
Property and equipment	10	148,196	187,190
Assets held for sale	11	7,883,791	7,722,706
Intangible assets	12	39,302	39,031
Other assets	13	325,218	259,993
Total Assets		26,472,804	25,996,837
Liabilities and Equity			
Liabilities –			
Technical Reserves			
Unearned premium reserve, net		7,217,528	7,533,324
Premium deficiency reserve, net		245,000	161,000
Outstanding claims reserve, net		7,603,815	8,177,145
Total Technical Reserves		15,066,343	15,871,469
Other liabilities			
Accounts payable	14	2,875,818	1,593,655
Accrued expenses		86,926	49,489
Reinsurance payables	15	2,381,639	2,036,574
Other liabilities	16	304,669	253,264
Total Liabilities		20,715,395	19,804,451
Equity			
Paid in capital	17	10,000,000	10,000,000
Statutory reserve	18	172,786	169,213
Fair value reserve	19	(428,206)	(457,500)
Accumulated losses	20	(3,987,171)	(3,519,327)
Total Shareholders' Equity		5,757,409	6,192,386
Total Liabilities and Shareholders' Equity		26,472,804	25,996,837

The attached notes 1 to 38 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Revenues –			
Gross written premium		18,760,114	18,556,975
Less: Local reinsurance share		868,477	737,978
Less: Foreign reinsurance share		2,105,354	2,258,161
Written premium, net		15,786,283	15,560,836
Net change in unearned premium reserve		315,796	(199,175)
Net Change premium deficiency reserve		(84,000)	(161,000)
Net earned premium		16,018,079	15,200,661
Commissions income		520,076	716,817
Insurance policies issuance fees		1,066,118	988,392
Other underwriting revenues		341,012	225,460
Interest income	21	522,833	420,382
Net gain from financial assets and investments	22	19,594	14,795
Gain from sale of property and equipment		377	25,859
Other revenues	23	52,613	14,985
Total revenues		18,540,702	17,607,351
Claims, losses and related expenses			
Paid claims		17,143,371	17,378,545
Less: Recoveries		1,400,433	1,658,679
Less: Reinsurance share		705,508	366,301
Paid claims, net		15,037,430	15,353,565
Net change in outstsanding claims reserve		(573,330)	(861,604)
Allocated employee expenses	24	1,309,761	1,350,478
Allocated general and administrative expenses	25	1,004,532	981,940
Excess of loss premium		299,723	255,087
Commissions paid		529,539	542,571
Other expenses	26	427,507	290,520
Net claims		18,035,162	17,912,557
Unallocated employee expenses	24	185,500	192,921
Depreciation and amortization	10,12	57,682	64,894
Unallocated general and administrative expenses	25	226,629	201,436
Provision for expected credit losses	7	-	191,146
Total expenses		18,504,973	18,562,954
Profit (Loss) for the year before tax		35,729	(955,603)
Income tax expense	9	-	(24,522)
Profit (Loss) for the year		35,729	(980,125)
		JD/Fils	JD/Fils
Basic and diluted earnings (losses) per share	27	0/0036	(0/098)

The attached notes 1 to 38 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 2018

	2018	2017
	JD	JD
Profit (Loss) for the year	35,729	(980,125)
Add: other comprehensive income items not to be reclassified subsequently to profit and loss		
Change in fair value of financial assets at fair value through other comprehensive income	29,294	(27,374)
Total comprehensive income for the year	65,023	(1,007,499)

The attached notes 1 to 38 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Paid in capital	Statutory reserve	Fair value reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
2018 -					
Balance at 1 January 2018	10,000,000	169,213	(457,500)	(3,519,327)	6,192,386
IFRS (9) implementation impact (note 2)	-	-	-	(500,000)	(500,000)
Adjusted balance at beginning of the year	10,000,000	169,213	(457,500)	(4,019,327)	5,692,386
Total comprehensive income	-	-	29,294	35,729	65,023
Tranfers to ststutory reserve	-	3,573	-	(3,573)	-
Balance at 31 December 2018	10,000,000	172,786	(428,206)	(3,987,171)	5,757,409
2017 -					
Balance at 1 January 2017	10,000,000	169,213	(430,126)	(2,539,202)	7,199,885
Total comprehensive income	-	-	(27,374)	(980,125)	(1,007,499)
Balance at 31 December 2017	10,000,000	169,213	(457,500)	(3,519,327)	6,192,386

The attached notes 1 to 38 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 2018

	Notes	2018	2017
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) for the year before tax		35,729	(955,603)
Adjustment for non-cash items			
Depreciation and amortization		57,682	64,894
Net change in unearned premium reserve		(315,796)	199,175
Net change in outstanding claims reserve		(573,330)	(861,604)
Net change in premium deficiency reserve		84,000	161,000
Gain from sale of property and equipment		(377)	(25,859)
Provision for expected credit losses		-	191,146
Interest income		(522,833)	(420,382)
Cash flows used in operating activities before working capital adjustments		(1,234,925)	(1,647,233)
Checks under collection		(3,378,464)	1,016,182
Accounts receivable		1,867,055	(570,498)
Reinsurance receivables		53,847	85,592
Other assets		(65,225)	(17,714)
Accounts payable		1,282,540	140,856
Reinsurance payables		345,065	463,870
Other liabilities and accrued expenses		88,842	14,410
Net cash flows used in operating activities before tax		(1,041,265)	(514,535)
Income tax paid	9	-	(85,208)
Net cash flows used in operating activities		(1,041,265)	(599,743)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(3,259)	(147,323)
Purchase of intangible assets		(15,700)	(20,447)
Purchase of assets held for sale		(161,085)	(43,264)
Proceeds from sale of property and equipment		-	21,348
Deposits at banks maturing after 3 months		676,537	442,493
Interest received		522,833	420,382
Net cash flows from investing activities		1,019,326	673,189
Net (decrease) increase in cash and cash equivalents		(21,939)	73,446
Cash and cash equivalents at beginning of the year		3,941,329	3,867,883
Cash and cash equivalents at the end of the year	28	3,919,390	3,941,329

The attached notes 1 to 38 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 2018

	Motor		Marine		Faire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium														
Direct insurance	10,287,549	10,682,966	472,800	566,286	2,749,657	2,659,112	155,630	153,630	5,058,581	4,444,860	35,897	50,121	18,760,114	18,556,975
Reinsurance inward business	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:														
Local reinsurance share	-	-	3,737	22,597	844,915	658,273	5,281	44,493	-	-	14,544	12,615	868,477	737,978
Foreign reinsurance share	-	-	416,225	483,187	1,646,419	1,711,421	25,631	33,542	-	-	17,079	30,011	2,105,354	2,258,161
Net Written Premium	10,287,549	10,682,966	52,838	60,502	258,323	289,418	124,718	75,595	5,058,581	4,444,860	4,274	7,495	15,786,283	15,560,836
Add:														
Balance at the beginning of the year														
Unearned premium reserve	5,243,971	4,746,868	201,071	83,221	1,283,751	1,185,616	60,110	39,245	2,112,482	2,426,082	22,709	14,619	8,924,094	8,495,651
Less: reinsurance share	-	-	191,878	68,882	1,142,606	1,062,454	36,911	17,935	-	-	19,375	12,231	1,390,770	1,161,502
Net Unearned Premium Reserve	5,243,971	4,746,868	9,193	14,339	141,145	123,162	23,199	21,310	2,112,482	2,426,082	3,334	2,388	7,533,324	7,334,149
Add: Premium deficiency Reserve	-	-	-	-	-	-	-	-	161,000	-	-	-	161,000	-
Less:														
Balance at year end														
Unearned premium reserve	5,071,655	5,243,971	85,901	201,071	1,407,023	1,283,751	33,207	60,110	1,999,255	2,112,482	15,892	22,709	8,612,933	8,924,094
Less : Reinsurance share	-	-	82,008	191,878	1,285,918	1,142,606	13,577	36,911	-	-	13,902	19,375	1,395,405	1,390,770
Net unearned Premiums Reserve	5,071,655	5,243,971	3,893	9,193	121,105	141,145	19,630	23,199	1,999,255	2,112,482	1,990	3,334	7,217,528	7,533,324
Less: premium deficiency reserve	-	-	-	-	-	-	-	-	245,000	161,000	-	-	245,000	161,000
Net: Earned revenue from written Premium	10,459,865	10,185,863	58,138	65,648	278,363	271,435	128,287	73,706	5,087,808	4,597,460	5,618	6,549	16,018,079	15,200,661

The attached notes 1 to 38 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	10,293,911	11,217,518	45,942	32,609	720,639	391,239	15,742	23,156	6,041,697	5,695,113	25,440	18,910	17,143,371	17,378,545
Less:														
Recoveries	1,228,240	1,504,936	-	-	47,710	49,694	-	-	121,447	95,480	3,036	8,569	1,400,433	1,658,679
Foreign reinsurance share	56,101	56,586	34,809	23,000	597,158	278,354	-	-	-	-	17,440	8,361	705,508	366,301
Net Paid Claims	9,009,570	9,655,996	11,133	9,609	75,771	63,191	15,742	23,156	5,920,250	5,599,633	4,964	1,980	15,037,430	15,353,565
Add:														
Outstanding claims reserve at year end														
Reported	5,948,135	6,016,851	272,640	258,540	959,849	1,007,854	42,453	32,531	582,981	640,000	359	2,044	7,806,417	7,957,820
Unreported	1,813,462	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	327,334	260,000	1,000	1,000	2,152,796	2,272,000
Less:														
Reinsurance share	348,496	266,333	264,996	254,981	815,545	849,890	5,410	2,675	-	-	320	1,668	1,434,767	1,375,547
Less: Recoveries	920,631	677,128	-	-	-	-	-	-	-	-	-	-	920,631	677,128
Net outstanding claims reserve at year end	6,492,470	7,073,390	9,644	5,559	152,304	165,964	38,043	30,856	910,315	900,000	1,039	1,376	7,603,815	8,177,145
Reported	4,679,008	5,073,390	7,644	3,559	144,304	157,964	37,043	29,856	582,981	640,000	39	376	5,451,019	5,905,145
Unreported	1,813,462	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	327,334	260,000	1,000	1,000	2,152,796	2,272,000
Less:														
Outstanding claims reserve at the beginning of the year														
Reported	6,016,851	6,590,855	258,540	289,296	1,007,854	671,223	32,531	31,445	640,000	897,337	2,044	220	7,957,820	8,480,376
Unreported	2,000,000	2,000,000	2,000	2,000	8,000	8,000	1,000	1,000	260,000	200,000	1,000	1,000	2,272,000	2,212,000
Less:														
Reinsurance share	266,333	189,951	254,981	276,537	849,890	613,463	2,675	1,990	-	-	1,668	209	1,375,547	1,082,150
Recoveries	677,128	571,477	-	-	-	-	-	-	-	-	-	-	677,128	571,477
Net Outstanding claims Reserve at the beginning of the year	7,073,390	7,829,427	5,559	14,759	165,964	65,760	30,856	30,455	900,000	1,097,337	1,376	1,011	8,177,145	9,038,749
Net Claims Cost	8,428,650	8,899,959	15,218	409	62,111	163,395	22,929	23,557	5,930,565	5,402,296	4,627	2,345	14,464,100	14,491,961

The attached notes 1 to 38 form part of these financial statements

THE MEDITERRANEAN AND GULF INSURANCE COMPANY - JORDAN
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING (LOSSES) FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Motor		Marine		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premium	10,459,865	10,185,863	58,138	65,648	278,363	271,435	128,287	73,706	5,087,808	4,597,460	5,618	6,549	16,018,079	15,200,661
Less:														
Net claims cost	8,428,650	8,899,959	15,218	409	62,111	163,395	22,929	23,557	5,930,565	5,402,296	4,627	2,345	14,464,100	14,491,961
Add:														
Commissions received	-	-	159,846	215,409	348,599	474,558	6,235	17,476	-	-	5,396	9,374	520,076	716,817
Insurance policies issuance fees	237,749	252,824	114,716	80,974	312,300	299,726	11,074	14,415	382,505	333,402	7,774	7,051	1,066,118	988,392
Other underwriting revenues	181,102	100,449	20,255	33,613	29,354	29,347	-	-	110,301	62,051	-	-	341,012	225,460
Total revenue	2,450,066	1,639,177	337,737	395,235	906,505	911,671	122,667	82,040	(349,951)	(409,383)	14,161	20,629	3,481,185	2,639,369
Less:														
Commissions paid	356,326	333,559	24,671	36,691	64,353	112,582	3,792	6,220	77,688	49,169	2,709	4,350	529,539	542,571
Excess of loss premium	168,492	143,645	15,815	12,239	115,416	99,203	-	-	-	-	-	-	299,723	255,087
Allocated general and administrative expenses	1,283,082	1,288,920	73,058	76,447	362,790	341,489	13,676	13,059	578,531	608,102	3,156	4,401	2,314,293	2,332,418
Other expenses	18,756	123,352	376	4,300	5,094	4,738	-	-	402,022	156,709	1,259	1,421	427,507	290,520
Total Expenses	1,826,656	1,889,476	113,920	129,677	547,653	558,012	17,468	19,279	1,058,241	813,980	7,124	10,172	3,571,062	3,420,596
Underwriting loss	623,410	(250,299)	223,817	265,558	358,852	353,659	105,199	62,761	(1,408,192)	(1,223,363)	7,037	10,457	(89,877)	(781,227)

The attached notes 1 to 38 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, marine, medical motor, and liability.

The financial statements were approved by the Board of Dirctors on 21 February 2019.

(2) ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Standards issued by the International Accounting Standards Board and in accordance with the forms prescribed by the Jordanian Insurance Commission.

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value.

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

Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

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

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognised in accumulated losses. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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 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.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Company debt financial assets. The increase in allowance resulted in adjustment to opening accumulated losses.

Impact on Equity as at 1 January 2018 was amounted to JD 500,000 as follows:

	Adjustments JD
Assets	
Accounts receivable	(500,000)
Total assets	(500,000)
Equity	
Accumulated losses	(500,000)
Net equity	(500,000)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers except those related to insurance contracts and subject to IFRS 4. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

This standard do not have any material impact on the Company's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Company's financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.

The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

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.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the statement of income.

Date of Recognition

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 adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

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.

There was no material impact on the interim financial statements from the adoption of IFRS 9.

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.

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 statement of income.

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.

	%
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 statement of income.

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.

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 JD 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.

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 as follows:

- A provision for expected credit losses is subject to 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.
- The management periodically reviews tangible and intangible assets useful life in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the statement of income.
- 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 on lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews whether a financial asset or company of financial assets is impaired, if so this impairment is taken to the statement of income.

(3) BANK DEPOSITS

This item represents the following:

	2018				2017
	Deposits mature within a month	Deposits mature from 1 to 3 months	Deposits mature from 3 months to 1 year	Total	Total
				JD	JD
Inside Jordan	-	3,812,385	4,953,980	8,766,365	9,337,942

The annual interest rate on the deposits in Jordanian Dinar ranged between 5% to 6% during the year 2018 (2017: 3% to 5.75%).

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

This item consists of the following:

	2018	2017
	JD	JD
Quoted shares in Amman Stock Exchange	298,233	268,939

(5) CASH ON HAND AND AT BANKS

This item consists of the following:

	2018	2017
	JD	JD
Cash on hand	771	1,097
Current accounts at banks	106,234	232,807
	107,005	233,904

(6) CHECKS UNDER COLLECTION

This item consists of the following:

	2018	2017
	JD	JD
Checks under collection*	5,271,959	1,893,495

* Due dates of checks under collection extend to December 2020.

(7) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	2018	2017
	JD	JD
Policy holders	4,470,703	6,383,973
Due from sister companies	6,918	6,918
Employees' receivables	11,369	15,533
Others	10,379	-
	4,499,369	6,406,424
Less: Provision for expected credit losses*	1,256,668	796,668
	3,242,701	5,609,756

Below is the aging of receivables table:

		Due and undoubtful debts				
	Amounts not due yet	1-90 days	91-180 days	181-360 days	More than 360 days	Total
	JD	JD	JD	JD	JD	JD
31 December 2018	1,879,831	1,073,184	289,686	-	-	3,242,701
31 December 2017	1,231,017	2,616,177	660,736	859,509	242,317	5,609,756

* Movement on the provision for expected credit losses consists of the following:

	2018	2017
	JD	JD
Balance at the beginning of the year	796,668	605,522
IFRS (9) implementation impact (note 2)	500,000	-
Adjusted balance at the beginning of the year	1,269,668	605,522
Additions	-	191,146
Reversal of provision	(40,000)	-
Balance at the end of the year	1,256,668	796,668

(8) REINSURANCE RECEIVABLES

This item consists of the following:

	2018	2017
	JD	JD
Local insurance companies	357,464	378,378
Foreign reinsurance companies	72,570	105,503
	430,034	483,881
Less: Provision for expected credit losses	40,000	40,000
	390,034	443,881

(9) INCOME TAX

No provision for income tax was calculated for the year ended 31 December 2018 due to the excess of expenses over taxable income in accordance with Income Tax Law No. (34) of 2014.

The movement on the income tax provision is as follows:

	2018	2017
	JD	JD
Balance at beginning of the year	-	102,380
Additions during the year	-	-
Expense for previous years	-	24,522
Paid during the year	-	(85,208)
Reversal from provision	-	(41,694)
Balance at the end of the year	-	-

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

	2018	2017
	JD	JD
Accounting profit (loss)	35,729	(955,603)
Not deductible expenses	2,402,695	2,627,847
Non taxable income	(2,492,594)	(2,226,795)
Taxable (loss) profit	(54,170)	(554,551)
Statutory income tax rate	24%	24%
Effective income tax rate	-	-

Income Tax

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

The company filed its tax declaration for the year 2017, which have not been reviewed by the Income and Sales Tax Department.

In the opinion of the management and the Tax Consultant the provision taken is adequate.

Income and Sales Tax

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

(10) PROPERTY AND EQUIPMENT

This item consists of the following:

	Land	Projects under construction	Equipment, tools and furniture	Vehicles	Total
	JD	JD	JD	JD	JD
2018 -					
Cost:					
Balance as at 1 January 2018	-	-	423,280	133,080	556,360
Additions	-	-	3,259	-	3,259
Disposals	-	-	(655)	-	(655)
Transferred to Assets held for sale (note 11)	-	-	-	-	-
Balance as at 31 December 2018	-	-	425,884	133,080	558,964
Accumulated depreciation:					
Balance as at 1 January 2018	-	-	307,259	61,911	369,170
Additions	-	-	26,272	15,981	42,253
Disposals	-	-	(655)	-	(655)
Balance as at 31 December 2018	-	-	332,876	77,892	410,768
Net book value as at 31 December 2018	-	-	93,008	55,188	148,196
2017 -					
Cost:					
Balance as at 1 January 2017	914,252	6,765,190	350,457	101,750	8,131,649
Additions	-	43,264	74,743	72,580	190,587
Disposals	-	-	(1,920)	(41,250)	(43,170)
Transferred to Assets held for sale (note 11)	(914,252)	(6,808,454)	-	-	(7,722,706)
Balance as at 31 December 2017	-	-	423,280	133,080	556,360
Accumulated depreciation:					
Balance as at 1 January 2017	-	-	279,422	83,817	363,239
Additions	-	-	29,368	19,344	48,712
Disposals	-	-	(1,531)	(41,250)	(42,781)
Balance as at 31 December 2017	-	-	307,259	61,911	369,170
Net book value as at 31 December 2017	-	-	116,021	71,169	187,190

(11) ASSETS HELD FOR SALE

The Board of Directors approved in their meeting held 15 February 2018 a work plan presented by the management, which includes the sale of a building and a land owned by the Company in Al-Abdali with a net book value of JD 7,883,791 as at 31 December 2018. Accordingly, the building and the land have been classified as assets held for sale in accordance with International Financial Reporting Standard No. (5).

(12) INTANGIBLE ASSETS

	2018	2017
Cost:	JD	JD
Balance at the beginning of the year	248,263	232,716
Additions	15,700	20,447
Disposals	-	(4,900)
Balance at the end of the year	263,963	248,263

Accumulated amortization:

	2018	2017
	JD	JD
Balance at the beginning of the year	209,232	197,950
Amortization	15,429	16,182
Disposals	-	(4,900)
Balance at the end of the year	224,661	209,232
Net book value	39,302	39,031

(13) OTHER ASSETS

This item consists of the following:

	2018	2017
	JD	JD
Accrued revenues	169,547	99,320
Prepaid expenses	87,419	103,538
Advance income tax to payment on bank interest	44,082	21,309
Bank collatertals	20,769	32,425
Advances payment to the income tax department	3,401	3,401
	325,218	259,993

(14) ACCOUNTS PAYABLE

This item consists of the following:

	2018	2017
	JD	JD
Due to sister companies	375,068	321,885
Policy holders	1,363,163	483,004
Medical network payables	634,044	478,458
Other payables	503,543	310,308
	2,875,818	1,593,655

(15) REINSURANCE PAYABLES

This item consists of the following:

	2018	2017
	JD	JD
Local insurance companies	546,776	605,218
Foreign reinsurance companies	1,834,863	1,431,356
	2,381,639	2,036,574

(16) OTHER LIABILITIES

This item consists of the following:

	2018	2017
	JD	JD
Income tax withholdings	127,628	28,713
Social security withholdings	16,058	21,828
Stamps withholdings	11,839	8,536
Due to shareholders	15,345	15,345
Commissions due	110,197	164,603
Others	23,602	14,239
	304,669	253,264

(17) PAID IN CAPITAL

Authorized and paid in capital amounted to JD 10,000,000 divided into 10,000,000 shares within a par value of JD 1 each as of 31 December 2018.

(18) LEGAL RESERVE

Statutory reserve -

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

(19) FAIR VALUE RESERVE

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

	2018	2017
	JD	JD
Balance at beginning of the year	(457,500)	(430,126)
Change in fair value during the year	29,294	(27,374)
Balance at the end of the year	(428,206)	(457,500)

(20) ACCUMULATED LOSSES

The item consists of the following:

	2018	2017
	JD	JD
Beginning balance	(3,519,327)	(2,539,202)
Profit (loss) for the year	35,729	(980,125)
Transfer to reserve	(3,573)	-
IFRS (9) implementation impact (note 2)	(500,000)	-
Ending balance of the year	(3,987,171)	(3,519,327)

(21) INTEREST INCOME

This item consists of the following:

	2018	2017
	JD	JD
Interest on bank deposits	522,833	420,382

(22) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	2018	2017
	JD	JD
Cash dividends received (financial assets at fair value through profit or loss)	19,594	14,795

(23) OTHER INCOME

This item consists of the following:

	2018	2017
	JD	JD
Reversal of provision for expected credit losses	40,000	-
Compensation fund for victims of vehicle accidents	12,613	14,985
	52,613	14,985

(24) EMPLOYEE EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Salaries and bonuses	1,210,311	1,246,648
Company's share form social security	147,677	155,274
Medical expenses	87,585	100,338
Travel and transportation	47,688	32,139
Training	2,000	9,000
Total	1,495,261	1,543,399
Allocated employee expenses to the underwriting account	1,309,761	1,350,478
Unallocated employee expenses to the underwriting account	185,500	192,921

(25) GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Consulting and legal fees	288,749	293,540
Insurance Administration fees	195,631	184,309
Rent	146,312	148,159
Property Tax	121,567	-
Stationary and printing	65,844	185,581
Water, electricity and heating	74,186	45,034
Utilities and office cleaning expenses	50,115	62,097
Government fees and other fees	47,080	55,501
Postage and telecommunications	37,679	37,026
Maintenance	34,916	18,127
Bank charges	21,655	20,873
Vehicles expenses	16,279	19,825
Advertisements	2,215	14,156
Others	128,933	99,148
Total	1,231,161	1,183,376
Allocated general & administrative expenses to the underwriting accounts	1,004,532	981,940
Unallocated general and administrative expenses to the underwriting accounts	226,629	201,436

(26) OTHER EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Medical claims management fees	345,666	156,709
Insurance policies issuance fees	81,841	133,811
	427,507	290,520

(27) BASIC AND DILUTED EARNINGS PER SHARE

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

	2018	2017
Profit (loss) for the year/ Dinars	35,729	(980,125)
Weighted average number of shares/ Share	10,000,000	10,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share from current year profit (loss)	0/0036	(0/098)

(28) CASH AND CASH EQUIVALENTS

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

	2018	2017
	JD	JD
Cash on hand and at banks	107,005	233,904
Add: deposits at banks mature within the period of three months	3,812,385	3,707,425
Net Cash and cash equivalent	3,919,390	3,941,329

(29) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them.

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

	2018	Total
	JD	JD
Statement of Financial Position Items:		
Due from related parties	970,600	1,871,693
Reinsurance payables*	(302,301)	(151,347)
Statement of Income Items :		
Written premiums	6,993,105	6,454,479

* Reinsurance payables consists of the following:

	2018	2017
	JD	JD
Addisson Bradley International-Lebanon (reinsurance brokerage firm)**	302,301	151,347

** The insurance premiums have been paid to the foreign reinsurance companies through Addisson Bradley International – Lebanon (Reinsurance Brokerage Firm) with a total amount of JD 536,683. Commissions earned from this brokerage have been recorded by the Company with a total amount of JD 75,883.

Below is the summary of the salaries and benefits of the Executive Management of the company:

	2018	2017
	JD	JD
Salaries and benefits	225,830	298,956

(30) 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 payables, accounts receivables, other financial assets, and other financial liabilities.

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

(31) 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
2018-	JD
Financial assets	
Financial assets at fair value through other comprehensive income	298,233

	Level 1
2017-	
Financial assets	JD
Financial assets at fair value through other comprehensive income	268,939

(32) 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 and reduce risk. In addition, all duty stations are responsible for identifying risks related to their activities, establishing appropriate control 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.

Internal Audit

Risk management processes are audited annually through the Internal Audit Department, by examining the adequacy of the measures taken and the extent of compliance with the required procedures.

Risk measurement and reporting systems

Risk monitoring and control it is made by monitoring the limits allowed for each type of risk. These limits reflect the Company's business strategy and the difference market factors surrounding it.

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

A. Insurance Risk

1. Insurance Risk

Risks of any insurance policy represent 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 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.

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 vehicles insurance claims were reported as follows:

Total - Motor Insurance:

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	28,362,863	7,321,638	7,594,297	7,721,823	6,956,749	
After one year	29,135,384	8,081,462	8,873,971	9,099,161	-	
After two years	29,043,194	8,163,141	9,201,762	-	-	
After three years	29,084,520	8,322,916	-	-	-	
After four years	29,197,514	-	-	-	-	
Present expectation for the accumulated claims	29,197,514	8,322,916	9,201,762	9,099,161	6,956,749	62,778,102
Accumulated claims	28,832,759	7,903,754	8,515,689	8,120,797	3,456,968	56,829,967
Liability as in the statement of financial position:						
Reported	364,755	419,162	686,073	978,364	3,499,781	5,948,135
Unreported	-	-	-	-	1,813,462	1,813,462
Deficit in the preliminary estimate for reserve	(834,651)	(1,001,278)	(1,607,465)	(1,377,338)	-	(4,820,732)

Total - Marine:

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	466,605	246,090	64,049	36,988	62,042	
After one year	466,005	255,578	63,913	34,988	-	
After two years	466,005	255,578	63,913	-	-	
After three years	431,005	255,578	-	-	-	
After Four years	431,005	-	-	-	-	
Present expectation for the accumulated claims	431,005	255,578	63,913	34,988	62,042	847,526
Accumulated payments	429,835	55,217	13,899	29,993	45,942	574,886
Liability as in the statement of financial position:						
Reported	1,170	200,361	50,014	4,995	16,100	272,640
Unreported	-	-	-	-	20,000	20,000
Surplus (deficit) in the preliminary estimate for reserve	35,600	(9,488)	136	2,000	-	28,248

Total – Fire and Property

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	2,137,655	936,309	283,385	597,312	557,583	
After one year	2,123,534	1,001,411	471,050	836,817	-	
After two years	2,124,987	991,117	245,512	-	-	
After three years	2,081,599	991,367	-	-	-	
After four years	2,080,404	-	-	-	-	
Present expectation for the accumulated claims	2,080,404	991,367	345,512	836,817	557,583	4,811,683
Accumulated payments	2,041,039	745,824	284,059	560,092	220,820	3,851,834
Liability as in the statement of financial position:						
Reported	39,365	245,543	61,453	276,725	336,763	959,849
Unreported	-	-	-	-	8,000	8,000
Surplus (Deficit) in the preliminary estimate for reserve	57,251	(55,058)	(62,127)	(239,505)	-	(299,439)

Total – Liability

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	40,115	12,830	29,322	22,898	27,24	
After one year	37,972	11,830	30,137	15,558	-	
After two years	38,485	11,830	29,541	-	-	
After three years	39,015	17,830	-	-	-	
After four years	38,891	-	-	-	-	
Present expectations for the accumulated claims	38,891	17,830	29,541	15,558	27,724	129,544
Accumulated payments	37,470	6,830	26,141	14,058	2,592	87,091
Liability as in the statement of financial position:						
Reported	1,421	11,000	3,400	1,500	25,132	42,453
Unreported	-	-	-	-	1,000	1,000
Surplus (deficit) in the preliminary estimate for reserve	1,224	(5,000)	(219)	7,340	-	3,345

Total – Medical

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	-	-	-	-	6.041.697	
After one year	-	-	-	-	-	
After two years	-	-	-	-	-	
After three years	-	-	-	-	-	
After four years	-	-	-	-	-	
Present expectation for the accumulated claims	-	-	-	-	6,041,697	6,041,697
Accumulated payments	-	-	-	-	5,458,716	5,458,716
Liability as in the statement of financial position:						
Reported	-	-	-	-	582,981	582,981
Unreported	-	-	-	-	327,334	327,334
Surplus (deficit) in the preliminary estimate for reserve	-	-	-	-	-	-

Total – Others

The accident year	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the end of the year	17,109	8,144	16,747	14,407	4,181	
After one year	27,711	16,608	23,255	33,802	-	
After two years	27,711	16,608	23,255	-	-	
After three years	27,711	16,608	-	-	-	
After four years	27,711	-	-	-	-	
Present expectation for the accumulated claims	27,711	16,608	23,255	33,802	4,181	105,557
Accumulated payments	27,491	16,608	23,255	33,802	4,042	105,198
Liability as in the statement of financial position:						
Reported	220	-	-	-	139	359
Unreported	-	-	-	-	1,000	1,000
(Deficit) in the preliminary estimate for reserve	(10,602)	(8,464)	(6,508)	(19,395)	-	(44,969)

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:

	2018		2017	
	Net	Gross	Net	Gross
	JD	JD	JD	JD
Insurance types				
Motor	1,269,127	12,833,252	943,461	13,260,822
Marine	347,004	360,541	446,859	461,611
Fire and properties	2,101,463	2,374,872	1,992,496	2,229,905
Liability	18,987	76,660	39,586	93,641
Medical	-	2,909,570	-	3,012,482
Other	14,222	17,251	21,043	25,753
Total	3,750,803	18,572,146	3,443,445	19,084,214

All assets and liabilities of insurance policies are within Jordan.

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
According to Sector				
Companies and corporations	3,467,824	4,964,639	5,594,146	3,429,568
Individuals	164,911	292,818	459,491	200,661
Total	3,632,735	5,257,457	6,053,637	3,630,229

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	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motor	10%	1,028,755	1,045,987	794,950
Marine	10%	47,280	5,814	4,419
Fire and properties	10%	274,966	27,836	21,155
Liability	10%	15,563	12,829	9,750
Medical	10%	505,858	508,781	386,674
Others	10%	3,590	562	427
Total		1,876,012	1,601,809	1,217,375

* 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	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motors	10%	1,029,391	(842,865)	(640,577)
Marine	10%	4,594	(1,522)	(1,157)
Fire and properties	10%	72,064	(6,211)	(4,720)
Liability	10%	1,574	(2,293)	(1,743)
Medical	10%	604,170	(593,057)	(450,723)
Others	10%	2,544	(463)	(352)
Total		1,714,337	(1,446,411)	(1,099,272)

* 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 2018 interest rates on bank deposits balance in Jordanian Dinars range from 5% to 6% (2017: 3% to 5.755%).

The following table shows the sensitivity of the income statements to reasonably possible changes on interest rates as at 31 December 2017 and 2018.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held as 31 Decemeber 2017 and 2018.

2018	Increase in interest rate Percentage	Effect on the current year pre-tax profit JD
Currency		
Jordanian Dinar	1%	87,664

2017	Increase in interest rate	Effect on the current year pre-tax profit
	Percentage	JD
Currency		
Jordanian Dinar	1%	93,379

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:

2018-

Indicator	Increase indicator	Effect on equity after tax
	Percentage	JD
Amman Stock Exchange	10%	29,823

2017-

Indicator	Increase indicator	Effect on equity after tax
	Percentage	JD
Amman Stock Exchange	10%	26,894

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*
2018 -							
Liabilities:							
Accounts payables	-	-	2,875,818	-	-	-	2,875,818
Accrued expenses	-	86,926	-	-	-	-	86,926
Reinsurance payables	-	-	-	2,381,639	-	-	2,381,639
Income tax provision	-	-	-	-	-	-	-
Other payables	-	-	304,669	-	-	-	304,669
Total liabilities	-	86,926	3,180,487	2,381,639	-	-	5,649,052
Total Assets based on the expected maturity	968,769	6,600,243	7,235,534	1,388,020	30,885	10,249,353	26,472,804
2017 -							
Liabilities:							
Accounts payables	-	1,593,655	-	-	-	-	1,593,655
Accrued expenses	49,489	-	-	-	-	-	49,489
Reinsurance payables	-	-	-	2,036,574	-	-	2,036,574
Income tax provision	-	-	-	-	-	-	
Other payables	-	-	253,264	-	-	-	253,264
Total liabilities	49,489	1,593,655	253,264	2,036,574	-	-	3,932,982
Total Assets based on the expected maturity	3,744,482	4,344,270	7,063,163	1,153,724	242,317	9,448,881	25,996,837

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 27% of total trade receivable balances as of 31 December 2018 (2017: 42%).

(33) 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	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total revenues	18,020,626	16,890,533	520,076	716,818	18,540,702	17,607,351
Capital expenditure	180,044	211,034	-	-	180,044	211,034

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
According to geographical area:	JD	JD	JD	JD
Inside Jordan	26,472,804	20,715,395	25,996,837	19,804,451
Other Middle East Countries	-	-	-	-
Europe	-	-	-	-
America	-	-	-	-
	26,472,804	20,715,395	25,996,837	19,804,451

(34) 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.

	2018	2017
	JD	JD
Total available capital	5,757,409	6,192,388
Capital requirements		
Capital requirement against asset risks	9,703,349	3,228,613
Capital requirement against underwriting liabilities	2,137,870	2,242,184
Capital requirement against the reinsurance risk	179,525	220,685
Total required capital	12,020,744	5,691,482
Solvency margin ratio	47,9%	108,8%

The company's solvency ratio reached 47,9% as of 31 December 2018, which is less than the ratio determined by the Insurance Administration, which is 150%.

(35) 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:

2018 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets-			
Bank deposits	8,766,365	-	8,766,365
Financial assets at fair value through profit or loss	-	298,233	298,233
Cash on hand and at banks	107,005	-	107,005
Checks under collection and notes receivables	5,241,074	30,885	5,271,959
Reinsurance receivables	390,034	-	390,034
Accounts receivable - net	1,879,830	1,362,871	3,242,701
Property and equipment - net	-	148,196	148,196
Assets held for sale	7,883,791	-	7,883,791
Intangible assets	-	39,302	39,302
Other assets	325,218	-	325,218
Total Assets	24,593,317	1,879,487	26,472,804
Liabilities-			
Unearned premium reserve, net	7,217,528	-	7,217,528
Outstanding claims reserve, net	7,603,815	-	7,603,815
Premium deficiency reserve, net	245,000	-	245,000
Accounts payable	2,875,818	-	2,875,818
Reinsurance payables	2,381,639	-	2,381,639
Income tax provision	-	-	-
Accrued expenses	86,926	-	86,926
Other liabilities	304,669	-	304,669
Total Liabilities	20,715,395	-	20,715,395
Net	3,877,922	1,879,487	5,757,409

2017 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Bank deposits	9,337,942	-	9,337,942
Financial assets at fair value through profit or loss	-	268,939	268,939
Cash on hand and at banks	233,904	-	233,904
Checks under collection and notes receivables	1,893,495	-	1,893,495
Reinsurance receivables	443,881	-	443,881
Accounts receivable - net	5,609,756	-	5,609,756
Property and equipment - net	-	187,190	187,190
Assets held for sale	7,722,706	-	7,722,706
Intangible assets	-	39,031	39,031
Other assets	259,993	-	259,993
Total Assets	25,501,677	495,160	25,996,837
Liabilities			
Unearned premium reserve, net	7,533,324	-	7,533,324
Outstanding claims reserve, net	8,177,145	-	8,177,145
Premium deficiency reserve, net	161,000	-	161,000
Accounts payable	1,593,655	-	1,593,655
Reinsurance payables	2,036,574	-	2,036,574
Income tax provision	-	-	-
Accrued expenses	49,489	-	49,489
Other liabilities	253,264	-	253,264
Total Liabilities	19,804,451	-	19,804,451
Net	5,697,226	495,160	6,192,386

(36) LAWSUITS AGAINST THE COMPANY

The company is defendant in a number of lawsuits for which it took an adequate provision. In the opinion of the Company's management and its lawyer, no obligations shall arise that exceeds the allocated amounts within the net claims reserve.

(37) CONTINGENT LIABILITIES

The Company has letter of guarantee of JD 166,924 as of 31 December 2018 (2017: JD 306,627).

(38) 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 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Company has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Company will adopt IFRS 16 using the modified retrospective approach. During 2018, the Company has performed a detailed impact assessment of IFRS 16. The Company expected the effect of adopting IFRS 16 to be JD 460,298 on the total assets and JD 427,635 on the total liabilities.

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 2021. Early application is permitted.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

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

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

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

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.