

ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2018



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**REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ARAB ORIENT INSURANCE
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of ARAB ORIENT COMPANY (a public shareholding company) as of 31 March 2018, comprising of interim statement of financial position as of 31 March 2018 and the related interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for three months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Explanatory Paragraph

The interim condensed financial statements have been prepared for the purposes of Jordan Securities Commission and management and do not require the Insurance department approval.

Amman – Jordan
26 April 2018

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	<u>Notes</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
		JD (Unaudited)	JD (Audited)
<u>Assets</u>			
Bank deposits	3	43,321,246	42,693,311
Financial assets at fair value through profit or loss	4	7,308,697	7,387,685
Financial assets at amortized cost	5	2,477,887	2,480,008
Total Investments		<u>53,107,830</u>	<u>52,561,004</u>
Cash in hand and at banks	11	911,601	1,242,338
Checks under collection		4,859,522	5,035,226
Accounts receivable, net	6	36,419,729	31,166,615
Reinsurers' receivable	7	1,603,850	2,117,281
Deferred income tax assets	8	6,334,728	6,690,252
Property and equipment, net		4,963,267	5,071,019
Intangible assets		741,132	797,415
Other assets		1,436,980	1,317,926
Total Assets		<u>110,378,639</u>	<u>105,999,076</u>
<u>Liabilities and Equity</u>			
Liabilities –			
Technical Reserves			
Unearned premium reserve, net		18,271,398	15,635,902
Premium deficiency reserve, net		884,000	884,000
Outstanding claims reserve, net		18,824,719	20,407,783
Total Technical Reserves		<u>37,980,117</u>	<u>36,927,685</u>
Other liabilities			
Accounts payable		13,448,734	12,474,165
Accrued expenses		320,360	341,226
Reinsurers' payables		21,571,212	20,640,504
Other provisions		1,007,423	1,016,768
Other liabilities		620,717	215,491
Deferred tax liabilities		55,451	55,451
Total Liabilities		<u>75,004,014</u>	<u>71,671,290</u>
Equity			
Paid in capital	9	21,438,252	21,438,252
Statutory reserve		4,683,051	4,683,051
Accumulated losses		(3,393,517)	(3,393,517)
Gain for the period		1,046,839	-
Total Shareholders' Equity		<u>23,774,625</u>	<u>22,727,786</u>
Subordinated loan		11,600,000	11,600,000
Total Liabilities and Shareholders' Equity		<u>110,378,639</u>	<u>105,999,076</u>

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

	<u>Notes</u>	31 March 2018 JD	31 March 2017 JD
Revenue –			
Gross written premium		29,880,252	42,122,318
Less: reinsurance share		16,624,179	26,639,508
Net written premium		13,256,073	15,482,810
Net change in unearned premiums provision		(2,635,496)	(9,901,895)
Net earned premium		10,620,577	5,580,915
Commissions income		2,267,219	4,073,919
Insurance policies issuance fees		1,161,453	1,442,749
Interest income		543,408	319,815
Net (loss) gain from financial assets and investments		(78,988)	939,588
Total revenues		<u>14,513,669</u>	<u>12,356,986</u>
Claims and related expenses			
Paid claims		21,618,224	26,924,420
Less: Recoveries		1,315,540	818,905
Less: Reinsurance share		10,545,064	15,440,455
Paid claims, net		9,757,620	10,665,060
Net change in claims reserve		(1,583,064)	800,560
Allocated employees' expenses		1,425,702	1,936,558
Allocated general and administrative expenses		743,674	932,047
Excess of loss premium		208,982	216,614
Policies acquisition costs		673,302	878,411
Other expenses		122,167	71,010
Net Claims		<u>11,348,383</u>	<u>15,500,260</u>
Unallocated employees' expenses		356,426	484,139
Depreciation and amortization		171,119	154,722
Unallocated general and administrative expenses		185,919	233,012
Allowance for doubtful debts		1,025,000	150,000
Loss (gain) from sale of property and equipment		24,459	(12)
Total expenses		<u>13,111,306</u>	<u>16,522,121</u>
Gain (Loss) for the period		1,402,363	(4,165,135)
Income tax expenses	8	(355,524)	(122,389)
Profit (loss) for the year		<u>1,046,839</u>	<u>(4,287,524)</u>
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings gain (loss) per share	10	<u>0/049</u>	<u>(0/199)</u>

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

	Paid in capital	Statutory reserve	(Accumulated losses) Retained earnings	Gain (loss) or for the period	Total
	JD	JD	JD	JD	JD
2018 -					
Balance at 1 January 2018	21,438,252	4,683,051	(3,393,517)	-	22,727,786
Total comprehensive income	-	-	-	1,046,839	1,046,839
Balance at 31 March 2018	<u>21,438,252</u>	<u>4,683,051</u>	<u>(3,393,517)</u>	<u>1,046,839</u>	<u>23,774,625</u>
2017 -					
Balance at 1 January 2017	21,438,252	4,683,051	7,689,467	-	33,810,770
Total comprehensive income	-	-	-	(4,287,524)	(4,287,524)
Balance at 31 March 2017	<u>21,438,252</u>	<u>4,683,051</u>	<u>7,689,467</u>	<u>(4,287,524)</u>	<u>29,523,246</u>

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	31 March 2018 JD	31 March 2017 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit (loss) for the period before tax	1,402,363	(4,165,135)
Adjustment for non-cash items		
Depreciation and amortization	171,119	154,722
Loss (gain) from sale of property and equipment	24,459	(12)
Outstanding claims provision, net	(1,583,064)	800,560
Unearned premium provision, net	2,635,496	9,901,895
End of service indemnity provision	99,695	48,501
Provision for doubtful debts	1,025,000	150,000
Net change in financial assets at fair value through profit or loss	78,988	(757,265)
Cash flows from operating activities before changes in working capital	3,854,056	6,133,266
Checks under collection	175,704	912,753
Accounts receivable	(6,149,714)	(11,648,288)
Reinsurers' receivable	385,031	(343,830)
Other assets	(119,054)	(423,320)
Accounts payable	974,569	190,021
Accrued expenses	(20,866)	56,442
Reinsurers' payable	930,708	5,040,882
Other liabilities	405,226	766,586
Net cash flows from operating activities before the paid from end of service indemnity provision	435,660	684,512
Paid from end of service indemnity provision	(109,040)	(70,000)
Net cash flows from operating activities	326,620	614,512
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Deposits at banks maturing after three months	(627,935)	(253,876)
Amortization of governmental bonds	2,121	5,961
Purchase of intangible assets	(4,527)	(5,377)
Purchase of property and equipment	(27,754)	(131,398)
Proceeds from sale of property and equipment	738	30
Net cash flows used in investing activities	(657,357)	(384,660)
Net (decrease) increase in cash and cash equivalent	(330,737)	229,852
Cash and cash equivalents at beginning of the year	11 1,242,338	1,425,299
Cash and cash equivalents at the end of the year	11 911,601	1,655,151

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018		2017		2018		2017		2018		2017		2018		2017	
	JD		JD		JD		JD		JD		JD		JD		JD	
Written Premiums:	4,541,230	8,406,206	284,194	295,435	28,163	-	1,185,350	844,953	118,219	259,902	21,600,401	29,432,113	1,811,604	1,688,770	29,569,161	40,927,379
Direct insurance	223,945	229,043	-	(1,898)	-	-	81,303	951,102	1,820	1,494	-	-	4,023	15,188	311,951	1,194,939
Optional reinsurers' inward business	4,765,175	8,635,249	284,194	293,537	28,163	-	1,266,653	1,796,055	120,039	261,396	21,600,401	29,432,113	1,815,627	1,703,968	29,880,252	42,122,318
Total Premiums	237,288	205,014	100	(791)	-	-	142,656	1,000,822	-	-	-	-	35,343	27,969	415,387	1,233,004
Less:	32,430	164,245	205,640	185,440	28,163	-	763,184	555,262	50,034	198,671	13,772,407	23,032,777	1,356,934	1,270,109	16,208,792	25,406,504
Local reinsurers' share	4,495,457	8,265,990	78,454	108,888	-	-	360,813	239,971	70,005	62,725	7,827,994	6,399,336	423,350	405,900	13,256,073	15,482,810
Foreign reinsurers' share																
Net Written Premiums	10,441,001	10,578,885	171,415	1,048,368	6,990	11,495	5,370,037	6,453,742	364,925	478,225	16,892,507	26,679,131	1,538,037	1,558,356	34,584,912	46,806,202
Add:	766,354	824,107	91,329	962,102	6,990	11,495	4,892,854	6,039,154	299,056	409,182	1,610,763	20,645,653	1,281,664	1,263,150	18,949,010	30,154,843
Balance at the beginning of the period	9,674,647	9,754,778	80,086	86,266	-	-	477,183	414,588	65,869	69,043	5,081,744	6,033,478	256,373	293,206	15,635,902	16,551,359
Unearned premium provision																
Net unearned premiums provision																
Add:																
Balance at the beginning of the period																
Premium deficiency reserve																
Less: reinsurers' share																
Premium deficiency reserve - net																
Less:																
Balance at the ending of the period	9,184,987	13,199,414	320,257	1,296,213	22,453	2,017	4,721,715	5,554,213	312,269	458,837	25,395,853	37,938,531	2,226,946	2,052,368	42,184,480	60,501,593
Unearned premium provision	613,525	575,744	222,938	1,152,012	22,453	2,017	4,131,018	5,152,251	221,928	373,206	16,825,575	25,042,343	1,875,645	1,650,766	23,913,082	33,948,339
Less: Reinsurers' share	8,571,462	12,623,670	97,319	144,201	-	-	590,697	401,962	90,341	85,631	8,570,278	12,896,188	351,301	401,602	18,271,398	26,553,254
Unearned Premiums provision - net																
Less:																
Balance at the ending of the period																
Premium deficiency reserve																
Less: Reinsurers' share																
Premium deficiency reserve - net																
Net: Earned revenue from written Premium	5,598,642	5,397,098	61,221	50,953	-	-	247,299	252,597	45,533	46,137	4,339,460	(463,374)	328,422	297,504	10,620,577	5,580,915

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	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	JD	JD
Paid claims	5,602,317	5,525,199	152,820	110,789	-	-	1,465,511	4,115,595	32,212	6,769	14,163,576	16,832,318	201,788	333,750	21,618,224	26,924,420
Less:																
Recoveries	1,287,612	802,700	-	-	-	-	24,107	11,598	2,650	860	-	-	1,171	3,747	1,315,540	818,905
Local reinsurers' share	6,073	17,827	-	-	-	-	34,748	221,337	-	-	-	-	30	11,328	40,851	250,492
Foreign reinsurers' share	8,254	2,436	76,674	63,137	-	-	1,299,724	3,682,641	25,042	250	9,027,617	11,260,146	66,902	181,353	10,504,213	15,189,963
Net Paid Claims	4,300,378	4,702,236	76,146	47,652	-	-	1,069,932	200,019	4,520	5,659	5,135,959	5,572,172	133,685	137,322	9,757,620	10,665,060
Add:																
Outstanding Claims provision at the end of the period	15,233,907	14,016,544	140,119	152,064	-	-	1,754,727	5,813,125	300,681	226,473	2,804,819	9,150,287	1,794,940	1,769,529	22,029,093	31,128,022
Reported	2,600,000	2,700,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	3,551,824	5,645,933	170,000	170,000	6,571,824	8,765,933
Unreported																
Less:																
Reinsurers' share from reported claims	860,509	842,285	94,088	101,049	-	-	1,402,996	5,364,028	133,880	111,100	1,917,947	6,631,026	1,395,280	1,373,388	5,804,700	14,422,876
Reinsurers' share from IBNR	-	-	-	-	-	-	-	-	-	-	2,428,752	4,091,492	-	-	2,428,752	4,091,492
Recoveries	1,542,746	1,004,194	-	-	-	-	-	-	-	-	-	-	-	-	1,542,746	1,004,194
Net Outstanding Claims provision at the end of the period	15,430,552	14,870,065	66,031	71,015	-	-	551,731	649,097	196,801	145,373	2,009,944	4,073,702	569,660	566,141	18,824,719	20,375,393
Outstanding Claims provision at the beginning of the period																
Reported	15,346,137	13,634,307	279,437	161,363	-	-	2,643,446	9,716,371	328,361	227,533	4,731,485	8,580,203	1,759,884	1,995,896	25,088,750	34,315,673
Unreported	2,600,000	3,000,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,513,125	4,707,987	170,000	170,000	7,533,125	8,127,987
Less:																
Reinsurers' share from reported	1,188,029	958,800	164,697	111,573	-	-	2,228,545	9,168,983	163,780	109,820	3,006,288	6,510,537	1,360,744	1,553,524	8,112,083	18,413,237
Reinsurers' share from IBNR	-	-	-	-	-	-	-	-	-	-	2,867,547	3,572,354	-	-	2,867,547	3,572,354
Recoveries	1,234,462	883,236	-	-	-	-	-	-	-	-	-	-	-	-	1,234,462	883,236
Net Outstanding Claims provision at the beginning of the period	15,523,646	14,792,271	134,740	69,790	-	-	614,901	747,388	194,581	147,713	3,370,775	3,205,299	569,140	612,372	20,407,783	19,574,833
Net Claims Cost	4,207,284	4,780,030	7,437	48,877	-	-	43,762	101,728	6,740	3,319	3,775,128	6,440,575	134,205	91,091	8,174,556	11,465,620

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDERWRITING PROFITS (LOSS) FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	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	JD	JD
Net earned revenue from written premiums	5,598,642	5,397,098	61,221	50,953	-	-	247,299	252,597	45,533	46,137	4,339,460	(463,374)	328,422	297,504	10,620,577	5,580,915
Less:																
Net claims cost	4,207,284	4,780,030	7,437	48,877	-	-	43,762	101,728	6,740	3,319	3,775,128	6,440,575	134,205	91,091	8,174,556	11,465,620
Add:																
Commissions received	8,877	36,961	42,196	46,364	1,420	-	272,585	232,867	15,256	50,117	1,491,722	3,349,985	435,163	357,625	2,267,219	4,073,919
Insurance policies	175,008	213,290	13,418	15,898	284	-	58,037	57,908	6,703	7,032	843,150	1,087,187	64,853	61,434	1,161,453	1,442,749
Issuance fees																
Total revenue	1,575,243	867,319	109,398	64,338	1,704	-	534,159	441,644	60,752	99,967	2,899,204	(2,466,777)	694,233	625,472	5,874,693	(368,037)
Less:																
Insurance policies acquisition costs	170,162	277,619	5,379	3,909	-	-	46,492	45,056	6,630	6,701	366,996	512,835	77,643	32,291	673,302	878,411
Excess of loss premiums	52,614	53,636	20,387	27,532	-	-	103,100	101,724	-	-	-	-	32,881	33,722	206,982	216,614
Allocated general and administrative expenses	345,963	588,076	20,633	19,990	2,045	-	91,962	122,315	8,715	17,802	1,568,240	2,004,380	131,818	116,042	2,169,376	2,868,605
Other expenses	-	-	669	1,230	-	-	2,423	2,728	-	-	117,899	65,997	1,176	1,055	122,167	71,010
Total Expenses	568,739	919,331	47,068	52,661	2,045	-	243,977	271,823	15,345	24,503	2,053,135	2,583,212	243,518	183,110	3,173,827	4,034,640
Underwriting profit (loss)	1,006,504	(52,012)	62,330	11,677	(341)	-	290,182	169,821	45,407	75,464	846,069	(5,049,989)	450,715	442,362	2,700,866	(4,402,677)

The attached notes 1 to 15 form part of these interim financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

(1) GENERAL

The Company was established in 1996 and registered as a Jordanian public limited shareholding company under No. (309), with a paid in capital of JD 2,000,000 divided into 2,000,000 shares with a par value of JD 1 each. The paid in capital increased many times; most recently during 2014 so that the authorized and paid in capital reached to JD 21,438,252 divided into 21,438,252 shares with a par value of JD 1 each.

The Company is engaged in insurance business against fire, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located at Jabal Amman 3rd circle in Amman, and other branches at Dier Gubar, Mecca Street, 8th Circle, Abdali and Abdali- Boulevard in Amman, a branch in Aqaba City and a branch in Irbid branch in Irbid city.

The Company is 90.45% owned by Gulf Insurance Company as of 31 March 2018.

The financial statements were approved by the Board of Directors in its meeting 19 April 2018.

(2) BASIS OF PREPARATION

The interim condensed financial statements as of 31 March 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual report as at 31 December 2017. In addition, the results for the three months ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2017, 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.

Impairment

The adoption of IFRS 9 has fundamentally 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.

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 Company's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category by Credit Rating Agencies and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL basis.

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

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. 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 interim consolidated 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 interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated financial statements.

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

(3) BANK DEPOSITS

This item represents the following:

	31 March 2018		31 December 2017
	Deposits matured between 6 months to 1 Year	Total	Total
	JD	JD (Unaudited)	JD (Audited)
Inside Jordan	43,321,246	43,321,246	42,693,311

Interest rates on bank deposit balances in Jordanian Dinar range from 4.5% to 5.5% during the period ended 31 March 2018.

Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amounted to JD 225,000 as of 31 March, 2018 and 31 December 2017.

There are no restricted balances except for restricted balances which represent pledged deposits in favor of the General Manager of the Insurance Regulatory Commission.

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	Number of shares	31 March 2018	31 December 2017
		JD (Unaudited)	JD (Audited)
Listed shares			
Cairo Amman Bank	553,581	918,944	830,371
Afaq for Energy Company	1,140,147	2,816,163	2,667,944
Afaq for Investment and Real Estate Development	1,541,500	2,558,890	2,589,720
Dar Al Dawa Development and Investment	695,000	1,014,700	1,299,650
Total financial assets at fair value through profit or loss inside Jordan		7,308,697	7,387,685

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

(5) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	31 March 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Inside Jordan -			
Unlisted Bonds:			
Arab Real Estate Development Company*	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - net		<u>1,000</u>	<u>1,000</u>
Listed Bonds:			
Treasury bonds/ Hashemite Kingdom of Jordan**	1,330	951,940	952,134
Total financial assets at amortized cost inside Jordan		<u>952,940</u>	<u>953,134</u>
	Number of bonds	31 March 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Outside Jordan:			
Treasury bonds/ Kingdom of Bahrain Government***	715	531,532	531,939
Sovereign bonds/ Kingdom of Bahrain Government****	1,315	993,415	994,935
Net financial assets at amortized cost outside Jordan		<u>1,524,947</u>	<u>1,526,874</u>
Total financial assets at amortized cost		<u>2,477,887</u>	<u>2,480,008</u>

* These bonds matured on April 1st 2011 at fixed annual interest rate of 10%. Interest is paid every six months on October 1st and April 1st of each year, the first payment was on October 1st 2008. The Board of Directors approved in its meeting number (2) held on March 24, 2011 the published amended draft prospectus that was approved by the General Assembly of the bonds owners on March 28, 2011. The prospectus includes extending the maturity date of these bonds to April 1st, 2015 and amending the interest rate to become a fixed annual interest rate of 11%, to be paid semiannually on October 1st, and April 1st each year starting from October 1st 2011. The Company did not collect or record any interest from these bonds after the prospectus was modified.

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

Following the decision of the General Assembly of the bonds owners in its meeting held on the 26th of October, 2011 the Housing Bank for Trade and Finance, as the trustee, has started the legal procedures against Arab Real Estate Development Company (Arab Corp) and filed a lawsuit under number (3460/2011) at the First Instance Court of Amman to demand the rights of the bonds owners.

Arab Real Estate Development Company bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 31 March 2018.

- ** Treasury bonds/ Hashemite Kingdom of Jordan are due on the 31st of January 2027 with an interest rate of 5.75% and paid on two equals installment on the 31st of January and 31st of July, until the maturity date of the bond.
- *** Treasury bonds/ Kingdom of Bahrain Government are due on the 12th of October 2028 with an interest rate of 7% and paid on two equals installment on the 12th of October and 12th of April, until the maturity date of the bond.
- **** Sovereign bonds/ Kingdom of Bahrain Government are due on the 26th of January 2026 with an interest rate of 7% and paid on two equals installment on the 26th of January and 26th of July, until the maturity date of the bond.

(6) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	31 March 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Policy holders *	41,576,076	35,261,120
Brokers receivables	2,116,921	2,147,649
Employees' receivables	101,885	97,585
Other	462,400	601,214
	<u>44,257,282</u>	<u>38,107,568</u>
Less: Provision for doubtful debts**	(7,837,553)	(6,940,953)
Accounts receivable, net	<u><u>36,419,729</u></u>	<u><u>31,166,615</u></u>

* Includes scheduled payment amounted to JD 21,668,078 as of 31 March 2018 (JD 20,416,209 as of 31 December 2017).

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

** Movement on the provision for doubtful debts consists of the following:

	31 March 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period / year	6,940,953	5,437,931
Additions	896,600	1,350,000
Transferred from reinsurers' provision	-	153,022
Balance at the end of the period / year	7,837,553	6,940,953

(7) REINSURERS' RECEIVABLES, NET

This item consists of the following:

	31 March 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Local insurance companies	1,799,148	1,613,968
Foreign reinsurers' companies	317,149	887,360
	2,116,297	2,501,328
Less: Provision for doubtful debt for reinsurers' receivables *	(512,447)	(384,047)
Net reinsurers' receivables	1,603,850	2,117,281

* Movement on the provision for doubtful debts consists of the following:

	31 March 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/year	384,047	537,069
Additions	128,400	-
Transfers to provision for doubtful debts	-	(153,022)
Balance at end of the period/year	512,447	384,047

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

(8) INCOME TAX

Income tax provision

Final settlement for income tax between the Company and Income and Sales Tax Department was reached until 31 December 2014. Income tax return was submitted for the year 2015 and it is still not reviewed by Income and Sales Tax Department until the date of financial statements. Final settlement for sales tax between the company and Income and Sales tax Department was reached until 31 December 2014. In the opinion of the management and the tax consultant the provision taken is adequate.

The movement on the income tax provision is as follows:

	31 March 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Balance at beginning of the period/ year	-	76,545
Income tax paid	-	(122,499)
Income tax expense for the previous years	-	45,954
Balance at the end of the period/year	-	-

The income tax expense appears in the statement of comprehensive income represents the following:

	31 March 2018	31 March 2017
	JD (Unaudited)	JD (Unaudited)
Deferred tax assets	355,524	(59,354)
Deferred tax liabilities	-	181,743
	355,524	122,389

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

	31 March 2018				2017	
	Beginning		Released	Ending	Deferred	Deferred
	Balance	Addition	Amounts	Balance	Tax	Tax
A. <u>Deferred tax asset</u>	JD	JD	JD	JD	JD	JD
Provision for doubtful debt receivables and reinsurers'	7,325,000	1,025,000	-	8,350,000	2,004,000	1,758,000
Impairment loss on financial asset	1,199,000	-	-	1,199,000	287,760	287,760
Provision for incurred but not reported claims, net	4,903,760	-	764,335	4,139,425	993,462	1,176,903
Provision for end of service indemnity	1,016,768	99,695	109,040	1,007,423	241,782	244,025
Premium deficiency provision, net	884,000	-	-	884,000	212,160	212,160
Loss for the period	12,547,515	-	1,732,666	10,814,849	2,595,564	3,011,404
	27,876,043	1,124,695	2,606,041	26,394,697	6,334,728	6,690,252

(9) PAID IN CAPITAL

Authorized and paid in capital amounted to JD 21,438,252 divided into 21,438,252 shares the par value of each is JD 1 as of 31 March 2018 and 31 December 2017.

(10) BASIC AND DILUTED EARNINGS PROFIT (LOSS) PER SHARE

The profit (loss) per share is calculated by dividing the profit (loss) for the period by the weighted average number of shares during the period as presented below:

	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Profit (loss) for the period (JD)	1,046,839	(4,287,524)
Weighted average number of shares (Share)	21,438,252	21,438,252
	JD/Fils	JD/Fils
Basic and diluted earnings profit (loss) per share from the period	0/049	(0/199)

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

(11) CASH AND CASH EQUIVALENTS

This item consists of the following:

	31 March 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Cash in hand and at banks	911,601	1,242,338
Add: deposits at banks	43,321,246	42,693,311
Less: deposits at banks mature within the period of more than three months	(43,096,246)	(42,468,311)
Less: restricted deposits to the insurance commission (note 3)	(225,000)	(225,000)
	<u>911,601</u>	<u>1,242,338</u>

(12) RELATED PARTY TRANSACTIONS

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 as of 31, March 2018 for reinsures.

During the year 2011 it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurers' accounts through Gulf Insurance Company, where the company's credit balance amounted to JD 499,858 as of 31 March 2018.

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

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

	31 March 2018		31 December 2017
	Top executive management JD	Total JD (Unaudited)	Total JD (Audited)
Statement of Financial Position Items:			
Accounts receivable	4,126	4,126	2,062
	Related party	Total	
	Top executive management JD	For the 3 months ending 31 March 2018 JD (Unaudited)	For the 3 months ending 31 March 2017 JD (Unaudited)
Statement of comprehensive income items:			
Bank interest income	-	-	45,079
Insurance premiums	995	995	1,769,637
Bank expenses and commissions	-	-	39,252
Salaries	211,401	211,401	219,052
Bonuses	900	900	197,077
Transportation expenses for members of the Board of Directors	12,600	12,600	12,600

Top Executive management (salaries, bonuses, and other benefits) are as follows:

	31 March 2018 JD (Unaudited)	31 March 2017 JD (Unaudited)
Salaries and bonuses	212,301	416,129

(13) LAWSUITS AGAINST THE COMPANY

There are lawsuits filed against the Company claiming compensation for a total amount of JD 3,441,555 as of 31 March 2018. 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.

(14) CONTINGENT LIABILITIES

The Company has letter of guarantee of JD 3,496,606 as of 31 March 2018 against which cash margins of JD 349,661 are held.

(15) LEGAL RESERVES

The Company has not deducted any reserves according to the companies law since it is an interim financial statement.