

ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2018

**REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ARAB ORIENT INSURANCE COMPANY
AMMAN – HASHEMITE KINGDOM OF JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of **ARAB ORIENT COMPANY** (a public shareholding company) as of 30 June 2018, comprising of interim statement of financial position as of 30 June 2018 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for six 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.

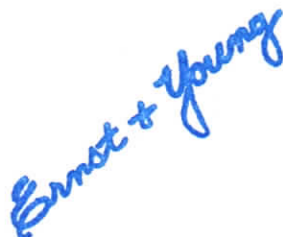
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed 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
30 July 2018



**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	<u>Notes</u>	30 June 2018	31 December 2017
		JD (Unaudited)	JD (Audited)
<u>Assets</u>			
Bank deposits	3	44,243,474	42,693,311
Financial assets at fair value through profit or loss	4	-	7,387,685
Financial assets at fair value through other comprehensive income	5	6,072,151	-
Financial assets at amortized cost	6	2,475,734	2,480,008
Total Investments		<u>52,791,359</u>	<u>52,561,004</u>
Cash and cash equivalents	15	1,426,132	1,242,338
Checks under collection		4,418,093	5,035,226
Accounts receivable, net	7	37,308,446	31,166,615
Reinsurers' receivable, net	8	1,287,346	2,117,281
Property and equipment, net		4,889,225	5,071,019
Intangible assets, net		682,503	797,415
Deferred income tax assets	9	6,182,825	6,690,252
Other assets		1,532,496	1,317,926
Total Assets		<u>110,518,425</u>	<u>105,999,076</u>
<u>Liabilities and Equity</u>			
Liabilities –			
Insurance contract liabilities			
Unearned premium reserve, net		19,520,260	15,635,902
Premium deficiency reserve, net		884,000	884,000
Outstanding claims reserve, net		19,466,288	20,407,783
Total Insurance contract liabilities		<u>39,870,548</u>	<u>36,927,685</u>
Accounts payable	10	6,898,728	12,474,165
Accrued expenses		287,557	341,226
Reinsurers' payables	11	26,824,317	20,640,504
Other provisions		1,031,609	1,016,768
Deferred tax liabilities	9	55,451	55,451
Other liabilities		704,234	215,491
Total Liabilities		<u>75,672,444</u>	<u>71,671,290</u>
Equity			
Paid in capital	12	21,438,252	21,438,252
Statutory reserve		4,683,051	4,683,051
Fair value reserve		(1,378,271)	-
Accumulated losses		(3,330,780)	(3,393,517)
Profit for the period		1,833,729	-
Total Equity		<u>23,245,981</u>	<u>22,727,786</u>
Subordinated loan	13	11,600,000	11,600,000
Total Liabilities and Equity		<u>110,518,425</u>	<u>105,999,076</u>

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)**

	Notes	For the three months ended 30 June 2018		For the six months ended 30 June 2018	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		JD	JD	JD	JD
Revenue –					
Gross written premium		21,393,256	20,422,333	51,273,508	62,544,651
Less: reinsurers share		9,838,246	13,011,969	26,462,425	39,651,477
Net written premium		11,555,010	7,410,364	24,811,083	22,893,174
Net change in unearned premiums reserve		(1,248,862)	1,388,650	(3,884,358)	(8,513,245)
Net earned premium		10,306,148	8,799,014	20,926,725	14,379,929
Commissions income		1,543,240	1,982,607	3,810,459	6,056,527
Insurance policies issuance fees		1,557,237	1,010,200	2,718,690	2,452,949
Interest income		506,276	310,841	1,049,684	630,656
Net gain from financial assets and investments	14	454,700	(673,094)	375,712	266,494
Total revenues		14,367,601	11,429,568	28,881,270	23,786,555
Claims ,losses and expenses					
Paid claims		16,229,163	22,812,737	37,847,387	49,737,157
Less: Recoveries		930,036	853,039	2,245,576	1,671,944
Less: Reinsurers share		7,049,433	8,766,188	17,594,497	24,206,643
Paid claims, net		8,249,694	13,193,510	18,007,314	23,858,570
Net change in claims reserve		641,569	380,056	(941,495)	1,180,616
Allocated employees' expenses		1,682,557	1,500,604	3,108,259	3,437,162
Allocated general and administrative expenses		801,072	753,420	1,544,746	1,685,467
Excess of loss premium		240,696	209,581	449,678	426,195
Policies acquisition costs		484,297	539,870	1,157,599	1,418,281
Other expenses		57,871	52,554	180,038	123,564
Net Claims		12,157,756	16,629,595	23,506,139	32,129,855
Unallocated employees' expenses		420,639	375,151	777,065	859,290
Unallocated general and administrative expenses		200,267	188,355	386,186	421,367
Depreciation and amortization		169,221	181,418	340,340	336,140
Allowance for doubtful debts and reinsurers receivable		482,000	200,000	1,507,000	350,000
Loss (gain) from sale of property and equipment		(1,075)	(4)	23,384	(16)
Total expenses		1,271,052	944,920	3,033,975	1,966,781
Profit (loss) for the period before tax		938,793	(6,144,947)	2,341,156	(10,310,081)
Income tax (expenses) benefit	9	(151,903)	2,623,653	(507,427)	2,404,336
Profit (loss) for the period		786,890	(3,521,294)	1,833,729	(7,905,745)
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (loss) per share for the period	15	0/037	(0/164)	0/086	(0/369)

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)**

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
Profit (loss) for the period	786,890	(3,521,294)	1,833,729	(7,905,745)
Add: Other comprehensive income after tax not be reclassified to profit and loss in subsequent periods				
Changes in fair value of financial assets at fair value through other comprehensive income	(1,236,546)	-	(1,315,534)	-
Total comprehensive income for the period	(449,656)	(3,521,294)	518,195	(7,905,745)

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)**

	Paid in capital	Statutory reserve	Fair value reserve	(Accumulated losses) Retained earnings	Profit (Loss) for the period	Total
	JD	JD	JD	JD	JD	JD
30 June 2018 -						
Balance at 1 January 2018	21,438,252	4,683,051	-	(3,393,517)	-	22,727,786
IFRS (9) implementation effect	-	-	(62,737)	62,737	-	-
Net change in financial assets at fair value through other comprehensive income	-	-	(1,315,534)	-	-	(1,315,534)
Profit for the period	-	-	-	-	1,833,729	1,833,729
Balance at 30 June 2018	21,438,252	4,683,051	(1,378,271)	(3,330,780)	1,833,729	23,245,981
30 June 2017 -						
Balance at 1 January 2017	21,438,252	4,683,051	-	7,689,467	-	33,810,770
Loss for the period	-	-	-	-	(7,905,745)	(7,905,745)
Balance at 30 June 2017	21,438,252	4,683,051	-	7,689,467	(7,905,745)	25,905,025

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)**

	Notes	30 June 2018 JD	30 June 2017 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) for the period before tax		2,341,156	(10,310,081)
Adjustment for non-cash items			
Depreciation and amortization		340,340	336,140
Loss (gain) from sale of property and equipment		23,384	(16)
Outstanding claims reserve, net		(941,495)	1,180,616
Unearned premium reserve, net		3,884,358	8,513,245
End of service indemnity provision		316,581	137,007
Provision for doubtful debts and reinsurers receivable		1,507,000	350,000
Change in financial assets at fair value through profit or loss		-	212,389
Cash flows from operating activities before changes in working capital		7,471,324	419,300
Checks under collection		617,133	(74,080)
Accounts receivable		(7,567,815)	(2,301,427)
Reinsurers' receivable		748,919	2,502,801
Other assets		(214,570)	(128,010)
Accounts payable		(5,575,437)	(4,387,622)
Accrued expenses		(53,669)	(755)
Reinsurers' payable		6,183,813	2,548,043
Other liabilities		488,743	(11,881)
Net cash flows from (used in) operating activities before paid tax and end of services provision		2,098,441	(1,433,631)
Income tax paid		-	(122,499)
Paid from end of service provision		(301,740)	(71,734)
Net cash flows from (used in) operating activities		1,796,701	(1,627,864)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		(1,550,163)	4,097,957
Purchase of property and equipment		(65,091)	(135,718)
Proceeds from sale of property and equipment		4,362	35
Purchase of intangible assets		(6,289)	(505,377)
Interest revenue from government bond (Kingdom of Bahrain)		4,274	3,298
Purchase of financial assets at amortized cost held to maturity		-	(1,485,731)
Purchase of financial assets at fair value through profit or loss		-	(247,588)
Net cash flows (used in) from investing activities		(1,612,907)	1,726,876
Net increase in cash and cash equivalent		183,794	99,012
Cash and cash equivalents at beginning of the period	16	1,242,338	1,425,299
Cash and cash equivalents at the end of the period	16	1,426,132	1,524,311

The attached notes 1 to 20 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 SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD
Written Premiums:																
Direct insurance	11,110,583	14,970,855	496,660	423,034	42,817	-	2,191,192	2,447,611	253,314	367,761	33,877,004	39,782,052	2,637,357	3,031,779	50,608,927	61,023,092
Optional reinsurers	424,287	434,627	-	(1,561)	-	-	229,391	1,067,294	2,095	1,719	-	-	8,798	19,480	664,581	1,521,559
Total Premiums	11,534,880	15,405,482	496,660	421,473	42,817	-	2,420,583	3,514,905	255,409	369,480	33,877,004	39,782,052	2,646,155	3,051,259	51,273,508	62,544,651
Less:																
Local reinsurers' share	186,253	522,126	100	8,546	-	-	179,988	1,103,583	-	-	-	-	54,963	92,994	421,304	1,727,249
Foreign reinsurers' share	220,002	360,811	351,224	245,949	42,817	-	1,561,321	1,684,878	150,939	255,004	21,719,770	33,070,543	1,995,048	2,307,043	26,041,121	37,924,228
Net Written Premiums	11,128,625	14,522,545	145,336	166,978	-	-	679,274	726,444	104,470	114,476	12,157,234	6,711,509	596,144	651,222	24,811,083	22,893,174
Add:																
Balance at the beginning of the period																
Unearned premium reserve	10,441,001	10,578,865	171,415	1,048,368	6,990	11,495	5,370,037	6,453,742	364,925	478,225	16,692,507	26,679,131	1,538,037	1,556,356	34,584,912	46,806,202
Less: Reinsurers' share	766,354	824,107	91,329	962,102	6,990	11,495	4,892,854	6,039,154	299,056	409,182	11,610,763	20,645,653	1,281,664	1,263,150	18,949,010	30,154,843
Net Unearned Premiums	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	16,651,359
Less:																
Balance at the ending of the period																
Unearned premium reserve	10,587,690	13,700,360	186,272	177,759	25,364	724	3,852,210	4,730,380	265,685	344,707	24,752,797	31,491,237	2,321,053	2,303,518	41,991,071	52,748,685
Less: Reinsurers' share	664,891	679,274	123,209	106,901	25,364	724	3,231,694	4,101,184	182,920	258,568	16,268,160	20,552,906	1,974,573	1,884,524	22,470,811	27,584,081
Unearned Premiums	9,922,799	13,021,086	63,063	70,858	-	-	620,516	629,196	82,765	86,139	8,484,637	10,938,331	346,480	418,994	19,520,260	25,164,604
reserve - net																
Net Earned revenue	10,680,473	11,256,237	162,359	182,386	-	-	535,941	511,836	87,574	97,380	8,754,341	1,806,656	506,037	525,434	20,926,725	14,379,929

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS ENDED 30 JUNE 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	10,768,806	10,168,675	232,535	167,046	-	-	1,873,502	6,110,432	78,518	34,653	24,179,429	32,852,090	714,597	404,261	37,847,387	49,737,157
Less:																
Recoveries	2,195,003	1,571,780	-	-	-	-	31,121	94,613	18,183	1,610	-	-	1,269	3,941	2,245,576	1,571,944
Local reinsurers' share	9,916	19,493	-	-	-	-	68,279	235,915	-	-	-	-	12,718	12,939	90,913	268,347
Foreign reinsurers' share	18,679	2,352	124,078	100,012	-	-	1,515,744	5,421,972	34,715	3,062	15,281,258	18,215,499	529,110	195,399	17,503,584	23,938,296
Net Paid Claims	8,545,208	8,575,050	108,457	67,034	-	-	258,358	357,932	25,620	29,981	8,898,171	14,636,591	171,500	191,982	18,007,314	23,858,570
Add:																
Outstanding Claims reserve at the end of the period	16,274,716	14,075,408	127,293	137,567	-	-	1,868,721	3,955,873	308,681	242,927	3,156,517	9,163,659	2,114,462	1,873,710	23,848,390	29,449,144
Reported	2,600,000	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	3,547,188	5,275,981	170,000	170,000	6,567,188	8,295,981
Unreported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:																
Reinsurers' share reported	964,545	721,381	87,675	94,759	-	-	1,604,264	3,658,628	126,380	103,563	2,093,953	6,261,351	1,815,093	1,427,804	6,691,920	12,267,486
Not reported	-	-	-	-	-	-	-	-	-	-	2,353,125	3,604,976	-	-	2,353,125	3,604,976
Recoveries	1,904,245	1,117,214	-	-	-	-	-	-	-	-	-	-	-	-	1,904,245	1,117,214
Net Outstanding Claims reserve at the end of the period	16,005,926	14,836,813	59,618	62,808	-	-	462,457	497,245	212,301	169,364	2,256,617	4,573,313	469,369	615,906	19,465,288	20,755,449
Less:																
Outstanding Claims reserve at the beginning of the period	15,346,137	13,634,307	279,437	161,363	-	-	2,643,446	9,716,371	328,381	227,533	4,731,485	8,580,203	1,759,884	1,995,896	25,088,750	34,315,673
Reported	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
Unreported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:																
Reinsurers' share reported	1,188,029	958,800	164,697	111,573	-	-	2,228,545	9,168,983	163,780	109,920	3,006,288	6,510,537	1,360,744	1,553,524	8,112,083	18,413,237
Not reported	-	-	-	-	-	-	-	-	-	-	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 reserve 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	9,027,488	8,619,592	33,335	60,652	-	-	105,914	107,789	43,340	51,632	7,784,013	16,004,605	71,729	195,516	17,065,819	25,039,186

The attached notes 1 to 20 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 SIX MONTHS ENDED 30 JUNE 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
Net earned revenue from written premiums	10,880,473	11,256,237	162,359	182,386	-	-	535,941	511,836	87,574	97,380	8,754,341	1,806,656	506,037	525,434	20,926,725	14,379,929
Less:																
Net claims cost	9,027,488	8,619,592	33,335	60,052	-	-	105,914	107,789	43,340	51,632	7,784,013	16,004,605	71,729	195,516	17,065,819	25,039,186
	1,852,985	2,636,645	129,024	122,334	-	-	430,027	404,047	44,234	45,748	970,328	(14,197,949)	434,308	329,918	3,860,906	(10,659,257)
Add:																
Commissions received	48,467	83,472	81,439	76,909	1,987	301	454,011	446,722	44,038	57,668	2,581,937	4,855,850	596,580	535,605	3,810,459	6,056,527
Insurance policies issuance fees	312,376	480,023	15,746	24,049	397	303	486,918	176,502	12,284	10,804	1,768,139	1,668,747	122,830	92,421	2,718,690	2,452,949
Total revenue	2,213,828	3,200,140	226,209	223,292	2,384	604	1,370,956	1,027,271	100,556	114,320	5,320,404	(7,673,352)	1,155,718	957,944	10,390,055	(2,149,781)
Less:																
Insurance policies acquisition costs	369,978	473,245	18,445	10,744	-	-	88,175	77,765	10,183	11,438	526,354	734,035	144,464	111,054	1,157,599	1,418,281
Excess of loss premiums	144,676	107,343	36,809	42,065	-	-	203,991	193,675	-	-	-	-	64,202	83,112	449,678	426,195
Allocated general and administrative expenses	1,046,607	1,261,764	45,064	34,520	3,885	-	219,629	287,883	23,174	30,262	3,074,548	3,258,291	240,098	249,909	4,653,005	5,122,629
Other expenses	-	-	1,115	2,163	-	-	7,177	7,231	-	-	169,347	111,556	2,399	2,594	180,038	123,564
Total Expenses	1,561,261	1,842,352	101,433	89,512	3,885	-	518,972	566,554	33,357	41,700	3,770,249	4,103,882	451,163	446,669	6,440,320	7,090,669
Underwriting profit (loss)	652,567	1,357,788	124,776	133,780	(1,501)	604	851,984	460,717	67,199	72,620	1,550,155	(11,777,234)	704,555	511,275	3,949,735	(9,240,450)

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

(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 30 June 2018.

The interim financial statements were approved by the Board of Directors in its meeting 30 July 2018.

(2) Basis of preparation

The interim financial statements as of 30 June 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 six months ended 30 June 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 financial statements are consistent with those followed in the preparation of the Company's annual 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 expected credit losses for all debt instruments measured at amortized cost.

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.

The effect of the change in accounting policy on the items of the financial statements is as follows:

	Before the amendment	Reclassification	After the amendment
	JD	JD	JD
Accumulated losses	(3,393,517)	62,737	(3,330,780)
Financial assets at fair value through profit or loss	7,387,685	(7,387,685)	-
Fair value reserve	-	62,737	62,737
Financial assets at fair value through other comprehensive income	-	7,387,685	7,387,685
	<u>3,994,168</u>	<u>125,474</u>	<u>4,119,642</u>

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 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 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 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 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 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 financial statements.

(3) BANK DEPOSITS

This item represents the following:

	30 June 2018		31 December 2017
	to 1 Year	Total	Total
	JD	JD	JD
		(Unaudited)	(Audited)
Deposits matured between 6 months			
Inside Jordan	44,243,474	44,243,474	42,693,311
	<u>44,243,474</u>	<u>44,243,474</u>	<u>42,693,311</u>

Interest rates on bank deposit balances in Jordanian Dinar range from 4.9% to 5.9% during the period of the year 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 30 June 2018 and 31 December 2017.

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

Below are the distribution of deposits at banks:

	30 June 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Jordan Kuwait Bank	16,695,380	16,167,621
Capital Bank	2,193,235	2,132,567
Audi Bank	2,190,391	2,139,169
Invest Bank	2,972,000	-
Blom Bank	2,676,127	2,611,537
Al Etihad Bank	3,012,048	2,942,987
Jordan Commercial Bank	4,888,566	5,275,408
Arab Banking Corporation Bank	3,432,933	3,432,933
Bank of Jordan	1,071,591	3,000,000
Ahli Bank	5,111,203	4,991,089
	<u>44,243,474</u>	<u>42,693,311</u>

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

This item consists of the following:

	Number of shares	30 June 2018	31 December 2017
		JD (Unaudited)	JD (Audited)
Listed shares			
Cairo Amman Bank	553,581	-	830,371
Afaq for Energy Company	1,140,147	-	2,667,944
Afaq for Investment and Real Estate Development	1,541,500	-	2,589,720
Dar Al Dawa Development and Investment	695,000	-	1,299,650
Total financial assets at fair value through profit or loss		<u>-</u>	<u>7,387,685</u>

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

This item consists of the following:

	Number of shares	30 June 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Listed Shares:			
Cairo Amman Bank	553,581	830,371	-
Afaq for energy Company	1,140,147	2,166,280	-
Afaq for investment and real estate development	1,541,500	2,158,100	-
Dar Al Dawa development and investment	695,000	917,400	-
Total financial assets at fair value through other comprehensive income		6,072,151	-

(6) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	30 June 2018 JD (Unaudited)	31 December 2017 JD (Audited)
<u>Inside Jordan:-</u>			
Unlisted Bonds in financial markets:			
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		1,000	1,000

Bonds listed in financial markets

Treasury bonds/ Hashemite Kingdom of Jordan**	1,330	951,742	952,134
Total financial assets at amortized cost inside Jordan		952,742	953,134

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		30 June 2018	31 December 2017
		JD	JD
<u>Outside Jordan:</u>		(Unaudited)	(Audited)
Treasury bonds/ Kingdom of Bahrain Government***	715	531,119	531,939
Treasury bonds/ Kingdom of Bahrain Government****	1,315	991,873	994,935
Net financial assets at amortized cost outside Jordan		<u>1,522,992</u>	<u>1,526,874</u>
Total financial assets at amortized cost		<u>2,475,734</u>	<u>2,480,008</u>

* These bonds matured on April 1, 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 1, 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.

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 30 June 2018.

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

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(7) ACCOUNTS RECEIVABLE, NET

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Policy holders *	42,879,158	35,261,120
Brokers receivables	2,133,655	2,147,649
Employees' receivables	86,574	97,585
Other	575,996	601,214
	<u>45,675,383</u>	<u>38,107,568</u>
Less: Provision for doubtful debts**	(8,366,937)	(6,940,953)
Accounts receivable, net	<u><u>37,308,446</u></u>	<u><u>31,166,615</u></u>

* Includes scheduled payment amounted to JD 20,767,651 after 30 June 2018 (JD 20,416,209 as of 31 December 2017).

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

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	6,940,953	5,437,931
Additions	1,425,984	1,350,000
Transferred from reinsurers' provision	-	153,022
Balance at the end of the period / year	<u><u>8,366,937</u></u>	<u><u>6,940,953</u></u>

(8) REINSURERS' RECEIVABLES, NET

This item consists of the following:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	1,479,375	1,613,968
Foreign reinsurance companies	273,034	887,360
	<u>1,752,409</u>	<u>2,501,328</u>
Less: Provision for doubtful debt for reinsurers' receivables *	(465,063)	(384,047)
Reinsurers' receivables, net	<u><u>1,287,346</u></u>	<u><u>2,117,281</u></u>

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* Movement on the provision for reinsurers' receivables consists of the following:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	384,047	537,069
Additions	81,016	-
Transferred from (to) provision for doubtful debts	-	(153,022)
Balance at end of the period/year	465,063	384,047

(9) INCOME TAX

A. Income tax provision

The movement on the income tax provision is as follows:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Balance at beginning of the period/ year	-	76,545
Income tax paid	-	(122,499)
Prior year income tax	-	45,954
Balance at the end of the period/year	-	-

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

	30 June 2018	30 June 2017
	JD	JD
	(Unaudited)	(Unaudited)
Income tax of profit or (loss) for the period	707,142	-
Prior year income tax	-	45,954
Deferred tax liabilities	-	50,973
Deferred tax assets	(199,715)	(2,501,263)
	507,427	(2,404,336)

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Summary of reconciliation of the accounting profit to taxable profit:

	30 June 2018	30 June 2017
	JD	JD
	(Unaudited)	(Unaudited)
Accounting profit (loss)	2,341,156	(10,310,081)
Non-taxable profits	(1,218,314)	(347,237)
Non-deductible expenses	1,823,581	786,034
Taxable profit (loss)	<u>2,946,423</u>	<u>(9,871,284)</u>
Effective income tax rate	17%	-
Statutory income tax rate	<u>24%</u>	<u>24%</u>

Final settlement for income tax between the Company and Income and Sales Tax Department was reached until 31 December 2015. Income tax return was submitted for the years 2017 and 2016 and it is still not reviewed by Income and Sales Tax Department until the date of financial statements, and sales tax until 31 December 2014. In the opinion of the management and the tax consultant the provision taken is sufficient to meet any tax obligations.

B. Deferred tax asset

This item consists of the following:

	30 June 2018				31 December 2017	
	Beginning Balance	Released Amounts	Additions	Ending Balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Deferred tax asset:					(Unaudited)	(Audited)
Provision for doubtful debt receivables and reinsurers'	7,325,000	-	1,507,000	8,832,000	2,119,680	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	689,697	-	4,214,063	1,011,375	1,176,903
Provision for end of service indemnity	1,016,768	301,740	316,581	1,031,609	247,588	244,025
Profit for the period	12,547,515	2,946,423	-	9,601,092	2,304,262	3,011,404
Premium deficiency provision	884,000	-	-	884,000	212,160	212,160
	<u>27,876,043</u>	<u>3,937,860</u>	<u>1,823,581</u>	<u>25,761,764</u>	<u>6,182,825</u>	<u>6,690,252</u>

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The movement on deferred tax assets and deferred tax liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
Balance at beginning of the period/ year	6,690,252	3,192,956	55,451	-
Additions	(507,427)	3,497,296	-	55,451
Balance at the end of the period/year	<u>6,182,825</u>	<u>6,690,252</u>	<u>55,451</u>	<u>55,451</u>

(10) ACCOUNTS PAYABLE

	30 June 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Agent's payables	893,334	1,043,245
Employees payables	27,386	17,398
Garages payables	589,361	1,221,251
Medical network payables	2,648,798	5,689,563
Trade and companies payable	2,739,849	4,502,708
	<u>6,898,728</u>	<u>12,474,165</u>

(11) REINSURER'S PAYABLE

	30 June 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Local insurance companies	197,847	223,062
Foreign reinsurance companies	26,626,470	20,417,442
	<u>26,824,317</u>	<u>20,640,504</u>

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(12) 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 30 June 2018.

(13) SUBORDINATED LOAN

On November 15, 2017, the Company has borrowed from Gulf Insurance Group an amount of USD 16,361,071 which is equivalent to JD 11,600,000 as a subordinated loan to raise the company solvency margin in line with the insurance administration instruction No.3 of 2002 and the decisions issues there under. This loan bear no interest payable and no maturity or repayment schedule.

(14) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

	30 June 2018	30 June 2017
	JD	JD
	(Unaudited)	(Audited)
Cash dividends (financial assets at fair value through other comprehensive income / profit and loss)	302,503	432,317
Unrealized loss on financial assets at fair value through profit and loss	-	(212,389)
Interest on financial assets at amortized costs	73,209	46,566
	<u>375,712</u>	<u>266,494</u>

(15) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE FOR THE PERIOD

The profit per share is calculated by dividing the profit for the year by the weighted average number of shares during the year:

	For the three months ended		For the six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) for the period (JD)	786,890	(3,521,294)	1,833,729	(7,905,745)
Weighted average number of shares (Shares)	21,438,252	21,438,252	21,438,252	21,438,252
	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings (loss) per share from the period	<u>0/037</u>	<u>(0/164)</u>	<u>0/086</u>	<u>(0/369)</u>

The diluted earnings (loss) per share for the period is equal to the basic earnings (loss) per share.

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(16) CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 June 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Cash in hand and bank balances	1,426,132	1,242,338
Add: deposits at bank	44,243,474	42,693,311
Less: deposits at banks mature within the period of more than three months	(44,018,474)	(42,468,311)
Less: restricted deposits to the favor of general manager of the insurance regulatory commission (note 3)	(225,000)	(225,000)
Net Cash and cash equivalent at the end of the period/ year	<u>1,426,132</u>	<u>1,242,338</u>

(17) 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 as of 30 June 2018

During 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 as of 30 June 2018 amounted to JD 470,384 for reinsureres.

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

	Related party		Total	
	Jordan Kuwait Bank	Top	30 June 2018	31 December 2017
		Executive Management		
	JD	JD	JD	JD
Statement of Financial Position Items:			(Unaudited)	(Audited)
Time deposits	16,695,380	-	16,695,380	16,167,621
Overdraft account - credit balance	(1,453,245)	-	(1,453,245)	764,625
Current accounts under demand	2,711,111	-	2,711,111	306,890
Deposits on letters of guarantee	369,417	-	369,417	461,314
Accounts receivable	854,032	3,087	857,119	30,463
Off-statement of Financial Position Items:				
Letters of guarantee	3,694,170	-	3,694,170	4,613,148

	Related party		Total	
	Jordan Kuwait Bank	Top	30 June 2018	30 June 2017
		Executive Management		
	JD	JD	JD	JD
			(Unaudited)	(Audited)
Statement of Income Items :				
Bank interest income	350,589	-	350,589	83,474
Insurance premiums	2,091,039	5,454	2,096,493	1,792,310
Bank expenses and commissions	120,529	-	120,529	73,715
Salaries	-	521,453	521,453	494,682
Bonuses	-	1,900	1,900	197,077
Transportation expenses for members of the Board of Directors	-	25,200	25,200	25,200

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

	30 June 2018	30 June 2017
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and bonuses	523,353	691,759

(18) ANALYSIS OF MAIN SECTORS

Information on the Company's business sectors.

For management purposes the Company was organized to include the general insurance sector including (insurance on motor, marine, fire and property, liability, medical) This sector constitute the basis that the company uses to show information related to key sectors. The above sector also includes investments and cash management for the company account. The activities between the business sectors are performed based on commercial basis, under the same terms as with others.

(19) LAWSUITS BY AND AGAINST THE COMPANY

The company appears as defendant in a number of lawsuits, the company booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the company's legal consultant, the provision for a total amount of JD 4,011,974 is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the company within its activity is JD 2,713,344 as of 30 June 2018.

(20) CONTINGENT LIABILITIES

At 30 June 2018, the Company had letters of guarantee amounting JD 3,694,170 against which cash margins of JD 369,417 are held.