Arab Orient Insurance | gig GULF INSURANCE GROUP

From Origin to Excellence

The 16th Annual Report 2013

The Annual Report

For the year ended December 31,2013

Arab Orient Insurance Company

(A Puplic Limited Sharholding Company)
Amman - Jordan

His Majesty King Abdullah II

Crown Prince Hussein Bin Al Abdullah II

Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Prince Of Kuwait

Content

Board of Directors

Chairman
H.E. Eng. Naser Lozi

Vice Chairman
Mr. Khaled Al Hasan
Representative of Gulf Insurance Company

Member
Mr. Alaa Al Zoheiry
Representative of Gulf Insurance Company

Member
Mr. Bijan Khosrochahi
Representative of Gulf Insurance Company

Member
Mr. Ebrahim Al Rayes
Representative of Gulf Insurance Company

Member
Mr. Jamal Hazaa

Member
Mr. Samir Abdelhadi Hammoudeh
Representative of Hammoudeh Group for Trade and Investment

CEO Secretary of Board of Directors
Mr. Isam Mohammad Abdelkhaliq

Auditors
Messrs. Ernst & Young

A Letter From The Chairman

Dear shareholders,

On behalf of the board of directors' members and my own self, I am glad to present to you the 16th annual report on the results and achievements of our company activities in addition to the financial statements for the year ended 31.12.2013.

Year 2013 was, by all means, an exceptional year given the events that have devastated the Arab Region in general. The events surprised us all as individuals and countries on the same footing. The above events have directly affected all the financial and economic sectors, particularly the local insurance companies as the case in the rest countries in the Arab World. Therefore, we had to take various measures to eliminate as much as possible the negative impacts of such events by developing a work plan that takes into account all data and consequences.

Among the above negative effects on the economic situation was the scarcity of liquidity and absence of investment opportunities. This in particular has affected people in terms of their purchase power and priorities of their life concerns in the light of the unforeseen events for the Jordanian market. Undoubtedly, we may describe this year as the most difficult one within the recent ten years. We had to think aloud in an attempt to come up with applicable, creative, real and practical plans. By virtue of such plans we managed to pass the year with the least possible loss for the compulsory motor insurance and with the best possible results for the remaining insurance branches at the Jordanian market level with distinction.

The aforesaid crisis was accompanied by old economic problems, effects of which have dramatically exacerbated in 2013. The massive losses of the insurance sector during the year have reached their fullest extent threatening the insurance sector of full collapse and bankruptcy of many companies. Furthermore, unusual problems we have never been exposed to have emerged like the dramatic increase in fabricated accidents and illicit exploitation by those fabricators of the legal gaps for illicit gains. They took advantage of the fact that insurance has been one of the most direct and rapid sources for cash funding. Those factors have led to the realization of successive losses to all insurance companies operating in the Jordanian market for the motor insurance compulsory and comprehensive branches, and the company had achieved a substantial growth in the net profits in most of the insurance branches, despite the allocation of provision amounted JD 550,000 for the bad debts due to the financial difficulties faced by so many indebted transport and service companies.

Notwithstanding the events 2013 had witnessed in terms of substantial challenges, however, that year also witnessed achievements. It is worth mentioning that the company had in the same year received a distinct rating at the local and regional level by the international rating firm "AM Best" by affirming the financial rating of B++ as well as the credit rating of bbb+.

Dear Shareholders

The global reinsurance markets are still tight in terms of agreement renewal for 2014. The reinsurance companies' strategy continues to focus on specialization for the sake of securing profitability. As well, they focus on the necessity for the technical profits side by side with the investment profits to contribute in the performance of these companies due to the drop of returns on investment during the past years.

Despite the above tightening, the parent company has, for the fourth year respectively, decided to organize a uniform collective reinsurance agreement (Master Treaty) which included all subsidiaries and whereby it has gained better merits in terms of capacity of such agreements that have several times multiplied and managed to maintain high commission rates by reinsurers in addition to benefits in the conditions and exceptions. Therefore, the group strategy continues to improve quality and profitability of the assigned business. In 2014 Hannover Re. has assumed leadership of the Master Treaty. Hannover Re. is a reinsurance international company. The Treaty has involved more than 30 reinsurance companies of excellent rating in accordance with the instructions of the insurance commission in order to guarantee durability of this agreement.

The best proof of the importance of these agreements is the fire claim occurred at Farah Hospital –Extension Building on 05/08/2013, and resulted in the loss of approximately JD 19.75 million according to the initial loss report. The project is covered by Jordan Insurance Company, while our share of this incident through JIC is 15%; therefore, the total share of our loss is about JD 2.9 million.

The claim falls under the treaty quota share, with total share of 50% as well as reinsurers' share equivalent to JD 1.45 million for each party. On the other hand, the excess of loss treaty that covers our share of the claim transfers most of the total loss to the reinsurers under the coverage of the excess of loss treaty, keeping our share of the net claim around JD 71 thousand; this risk is covered under the underwriting year 2011.

It is worth mentioning that this risk is partially covered by more than one local insurance company; therefore, and after distributing the risk proportionately among all the companies concerned, it may decrease the total claim required from Jordan Insurance Company to an amount of less than JD 17 million. The final loss reports from the loss adviser are still under preparation as well as the reports of different commissions formed for this purpose.

Dear Shareholders

In continuation of what had been the case in the past year, year 2013 had witnessed a sharp price competition, because most insurance companies had focused on the investment segment of the business more than the technical side. Given the recession of the stock market performance, most companies turned to the price competition being the best way to obtain business and to maintain the market share. However, notwithstanding the competition, we have managed to maintain high rates to renew policies up to 83% where in certain cases we reduced prices for certain major projects, in addition to expanding the insurance coverage in other cases. This had created pressure on the company profitability margins. Therefore, we were driven during the second half of the year to increase the target premium volume for 2013 to reach JD 86 million in order to address the sharp decline experienced by the technical work profitability margins, and to maintain a profitability level better than what was achieved in 2012.

On the other hand, the company has doubled its efforts on purpose to attract medium and large size accounts through concentration of efforts towards providing advanced programs to the market at suitable and handy prices and presentation of outstanding services rapidly and accurately and through focusing on the general insurance premiums to make advantage of the major project insurance opportunities. It is envisaged that Jordan insurance market will witness some growth in the major projects such as Phosphate, Potash, Electricity and New Airport, as we all the time followed up and provided insurance to such major projects under the tangible Jordanian economy growth at all levels. The company has managed to continue in service of the largest insurance portfolio for companies in the Kingdom with a clientele of more than 2,324 companies. In the medical insurance field, we provide service to more than 206,000 subscribers with first class medical insurance services. They represent more than 1054 companies and corporations from various economic sectors. An integrated team of doctors, pharmacists and nurses counting more than 80 staff members provide the medical services to the above companies around the clock. The medical team is strongly supported by account managers who make more than 860 service and sales visits a week in order to guarantee rapid provision of best personal services and at all times.

One of the most important accounts that the Company managed to obtain during the year 2013 was Al Maabar, Al Maabar Company is considered a landmark for real estate development across the MENA region. With key projects underway in Morocco (Bab Al Bahr) and Jordan (Marsa Zayed in Aqaba and The St. Regis Amman and The Residences at The St. Regis Amman), Al Maabar is already earning a reputation for sustainable development that are designed to regenerate communities and ignite economic potential.

Marsa Zayed project is considered to be the biggest real estate and tourism project in the history of Jordan, the Marsa Zayed project is currently under development by Al Maabar Aqaba Real Estate Development Company, a wholly-owned subsidiary of Al Maabar International Investments, and is one of the largest mixed-use real estate development projects in the Middle East and North Africa (Mena) region.

Marsa Zayed covers 3.2 million square meter of land area in Aqaba including two kilometers of prime waterfront along the scenic coast of the Red Sea. Upon completion, the development promises to become a bustling center of commerce, tourism and living. The project will feature residential communities, hotels, marine facilities comprising of yachts and boat berths, a modern terminal and commercial facilities including shopping centers, cafés, fitness centers, other amenities and financial and business centers.

Last and not least The St. Regis Amman and The Residences at The St. Regis Amman are situated in the heart of Amman's city center, business district and shopping area with an extraordinary view of the most affluent district of the city, Abdoun. The Residences at The St. Regis Amman represents a new pinnacle in chic urban living, enriched with the privilege of becoming part of the St. Regis legacy. The location area is 18,000 square meter and the construction area including the parking spaces is 126,500 square meter.

The company shall continue committed to its service criteria. Such criteria are based on fast payment of claims, transparency in dealing with the customers and highest level of credibility and moral and technical commitment. It will continue so during 2014 with the clear objectives and strategy in connection with its orientation towards focusing on the individual products and programs which day by day prove to be the most profitable business, most stable and less affected by external factors. The company will continue upgrading and developing its IT system for more speed, accuracy, efficiency and discipline.

The company now adopts the electronic process systems and deals with the reinsurers and control authorities with extreme transparency through internet communication system, according to which such authorities can monitor our performance and review our business around the clock. Furthermore, today and through adoption of an outstanding IT system, our company is able to directly obtain profit and loss results around the clock. Therefore, it can get its final financial statements immediately with the end of the last hours of the fiscal year. The system grants the company an opportunity for permanent control over its operational transactions. In terms of IT systems, trends of the company during 2014 will be based on developing its control systems and protection of its information and statements. The company will try to promote its rating with "A.M. Best" in 2014. In short, the company will make every possible effort to maintain its position as the leading insurance company in the Jordanian market at all levels of subscription and profitability, most significantly the maximization of the return on the shareholders' equity.

Dear Shareholders,

We still believe that the great threat facing the insurance companies is the negative results of the compulsory insurance due to the civil liability arising from using the vehicles, while the insurance companies are not allowed to decide prices or select the risks in line with its underwriting policy. The continuation of this situation shall mean more exhaustion to the insurance sector unless prices of this branch of insurance are floated in a manner to balance between premium and risk. Currently we, in coordination with the insurance commission, try to find the best solution to the situation and consider the possibility to apply the principle of ceasing cash compensation to the people affected by vehicle accidents as a preliminary step on the way to the goal of price floatation during 2014.

Dear Shareholders,

With the same consistency and perseverance, our company once again has overtaken the target figures in terms of premiums and profits. The growth rate of the underwriting premiums reached 11%, and reached the figure JD 86 million to remain the largest company in the Kingdom in terms of its market share which in 2013 of more than 17%. On the other hand, the company has maintained its profitability rates where total technical profits before tax and provisions reached JD 5.37 million while the company assets grew to become JD 83.6 million.

In the light of the foregoing excellent results, the board of directors suggests that the Ordinary General Assembly distributes 7% of the company capital as cash dividends amounting to JD 1,402,502 & also suggests that the Extraordinary General Assembly distributes bonus shares amounting to 1,402,502 Shares/Dinar to be capitalized. These shares represent 7% of the company capital amounting to JD 20,035,750, and after that the capital will become 21,438,252 Shares/Dinar.

Chairman of the Board of Directors

Naser Ahmad Lozi

Board of Directors Report:

Dear Shareholders,

The results of the company's activities during 2013 have been as follows:

Insurance Premiums

Total insurance premiums during the year 2013 were JD 86,019,536 compared to JD 77,585,752 in 2012, with total increase of 10.9%, distributed as follows:

- Marine Insurance: Total marine insurance premiums during the year 2013 were JD 2,261,088 compared to JD 1,784,879 in 2012, with total increase of 26.68%.
- Fire Insurance: Total fire insurance premiums during the year 2013 reached JD 7,726,976 compared to JD 6,625,522 in 2012, with total increase of 16.6%.
- Liability and Other Insurance Branches: Total premiums of liability and other insurance branches during the year 2013 were JD 6,932,856 compared to JD 6,470,511 in 2012, with total increase of 7.15%.
- Motor Insurance: Total motor insurance premiums during the year 2013 were JD 20,908,429 compared to JD 17,868,218 in 2012, with total increase of 17.0%.
- Medical Insurance: Total medical insurance premiums during the year 2013 were JD 48,190,187 compared to JD 44,836,622 in 2012, with total increase of 7.48%.

Insurance Claims

Total paid claims during the year 2013 were JD 61,633,012 compared to JD 56,461,932 in 2012, with total increase of 9.16%, distributed as follows:

- Marine Insurance: Total marine paid claims during the year 2013 were JD 263,453 compared to JD 227,015 in 2012, with total increase of 16.05%.
- Fire Insurance: Total fire paid claims during the year 2013 were JD 1,344,650 compared to JD 1,085,179 in 2012, with total increase of 23.9%.
- Liability and Other Insurance Branches: Total paid claims for liability and other insurance branches during the year 2013 were JD 520,774 compared to JD 675,396 in 2012, with total decrease of 23%.
- Motor Insurance: Total motor paid claims during the year 2013 were JD 13,732,766 compared to JD 14,435,136 in 2012, with total decrease of 4.86%.
- Medical Insurance: Total medical paid claims during the year 2013 were JD 45,771,369 compared to JD 40,039,206 in 2012, with total increase of 14.3%.

Reserves

- The net unearned premiums reserve at the end of 2013 was JD 21,240,338 compared to JD 19,421,898 at the end of 2012, with total increase of 9.4%.
- The net outstanding claims reserve at the end of 2013 was JD 11,516,902 compared to JD 9,717,368 at the end of 2012, with total increase of 18.5%.

Investments

- The company achieved an income of JD 1,581,198 compared to JD 1,009,481 in 2012 as an interest on its deposits at bank, with total increase of 56.6%.
- The fair value for the available for sale securities as at 31/12/2013 was JD 4,430,005.
- Deposits at banks were JD 27,517,513 as at 31/12/2013, from which there is JD 225,000 as restricted deposit in the name of the general manager of the insurance commission as a legal requirement.

Profits

Total Technical profits during the year 2013 were JD 6,280,275 compared to JD 6,329,843 in 2012 with total decrease of 0.8%, distributed as follows:

- Marine Insurance: Total marine profits during the year 2013 were JD 678,014 compared to JD 421,516 in 2012, with total increase of 60.9%.
- Fire Insurance: Total fire profits during the year 2013 were JD 856,242 compared to JD 765,659 in 2012, with total increase of 11.8%.
- Liability and Other Insurance Branches: Total liability and other insurance branches profits during the year 2013 were JD 1,051,614 compared to JD 1,148,081 in 2012, with total decrease of 8.4%.
- Motor Insurance: Total motor profits during the year 2013 were JD 1,989,759 compared to 2012 amounted of JD 1,916,824 with total increase of 3.8%.
- Medical Insurance: Total medical profits during the year 2013 were JD 1,704,646 compared with JD 2,077,763 in 2012, with total decrease of 17.95%.
- Total profits before tax and provisions for the year 2013 were JD 5,370,951 compared to JD 4,437,381 in 2012, with total increase of 21%.
- Total net profits after tax and provisions for the year 2013 were JD 4,083,399 compared to JD 3,344,340 in 2012, with total increase of 22.1%.
- The percentage of the net profits from the paid up capital for the year 2013 were 20.4% compared to 17.86% in 2012.

Future Plan

- Continue with diversifying the Company's portfolio by concentrating upon personal lines as well as introducing new and innovative tailor- made products and services, which will provide the company with a wide base of small to medium profitable accounts.
- Pursue all opportunities to acquire a life insurance license.
- Improve our claims management and control procedures.
- Focus on the bancassurance project in close cooperation with Jordan Kuwait Bank to ensure optimal standards.
- Continue with staff training in order to upgrade their technical and sales skills.
- Maximize the utilization of our IT system.
- Concentrate on cross selling as an effective tool to increase our premium income.
- Target profitable accounts in order to improve the technical results.
- Concentrate on reducing and controlling the expenses.
- Geographic spreading and opening new branches all over the Kingdom.

Recommendations of the Board of Directors

- Address the outcomes of the previous general assembly meeting which was held on 27/3/2013
- Attend the Auditors' report.
- Address the Board of Directors report and the Company's future plan.
- Discuss the Auditor's report and financial statements as of 31/12/2013.
- To approve the proposal of the board of directors dated 27/1/2014 concerning the distribution of cash profits to the shareholders at 7% of the company capital and to carry forward the remaining profits.
- Grant Approval for electing Mr. Naser Lozi and Mr. Jamal Haza as a members of the Board of Directors, those who were elected by the Board of Directors in its session held on 18.4.2013
- Grant release to the chairman and members of the Board of Directors for the year ended 31/12/2013.
- Elect the Auditors for the 2014 financial year and authorize the Board of Directors to determine their fees.
- Any other subjects addressed by the General Assembly according to law requirements.

In conclusion, I would like to express sincere thanks and gratitude to our esteemed customers for their support and confidence in our company and our services. I also would like to thank our esteemed shareholders for their support to the board of directors and executive management. Further, I do thank our parent company "Gulf Insurance Company" for its permanent support to us. Furthermore, I thank all authorities that worked with us within the framework of outstanding strategic partnerships, foremost of which is the Insurance Commission, Jordan Insurance Federation and all their staff members. We also don't forget to thank the reinsurers and the insurance and reinsurance agents and brokers whose contribution in the above achievements had been substantial. We look forward to having more success in 2014 in a way to meet your aspirations and increase your contribution.

Finally, I wish more progress, advancement and security to our lovely Kingdom under the leadership of His Majesty King Abdullah II and his prudent government.

Chairman of the Board of Directors
Naser Ahmad Lozi

Executive Management

Mr. Isam Abdelkhaliq

Job Title: CEO & Secretary of the Board of Directors
Education: BS in Marketing & Political Science
Years of Experience: 26 years

Mr. Khalil Khmous

Job Title: Deputy CEO
Education: BS in Accounting & Business administration
Years of Experience: 38 years

Mr. Mustafa Melhem

Job Title: Deputy CEO / Medical Insurance, Customer Care, and Information Technology Departments
Education: BS
Years of Experience: 16 years

Eng. Yazan Khasawneh

Job Title: Senior Director / HR, Branches, Bancassurance, and Indirect Business
Education: BS
Years of Experience: 12 years

Mr. Ahmad Abdo

Job Title: Director / Business Development, Public Relations, and Marketing Departments
Education: BS
Years of Experience: 15 years

Mr. Tareq Ammary

Job Title: Director / Reinsurance, Underwriting, and Engineering Department
Education: Master, Cert. CII/London
Years of Experience: 16 years

Mr. Rami Dababneh

Job Title: Director / Key Accounts, General Claims & Motor Claims Departments
Education: BS, Cert. ACII
Years of Experience: 12 years

Mr. Mohammad Suboh

Job Title: Deputy Director / Branches, Bancassurance, and Indirect Business
Education: BS
Years of Experience: 17 years

Mr. Suleiman Dandis

Job Title: Deputy Director / Medical Insurance Department
Education: BS
Years of Experience: 13 years

Mr. Khaled Ghanem

Job Title: Deputy Director / Marine, Aviation, and Energy Insurance Department
Education: BS
Years of Experience: 19 years

Mr. Wael Shehadeh

Job Title: Senior Manager / Accounting Department
Education: BS
Years of Experience: 21 years

Mrs. Abeer Dawoud

Job Title: Senior Manager / Underwriting & Engineering Department
Education: BS
Years of Experience: 11 years

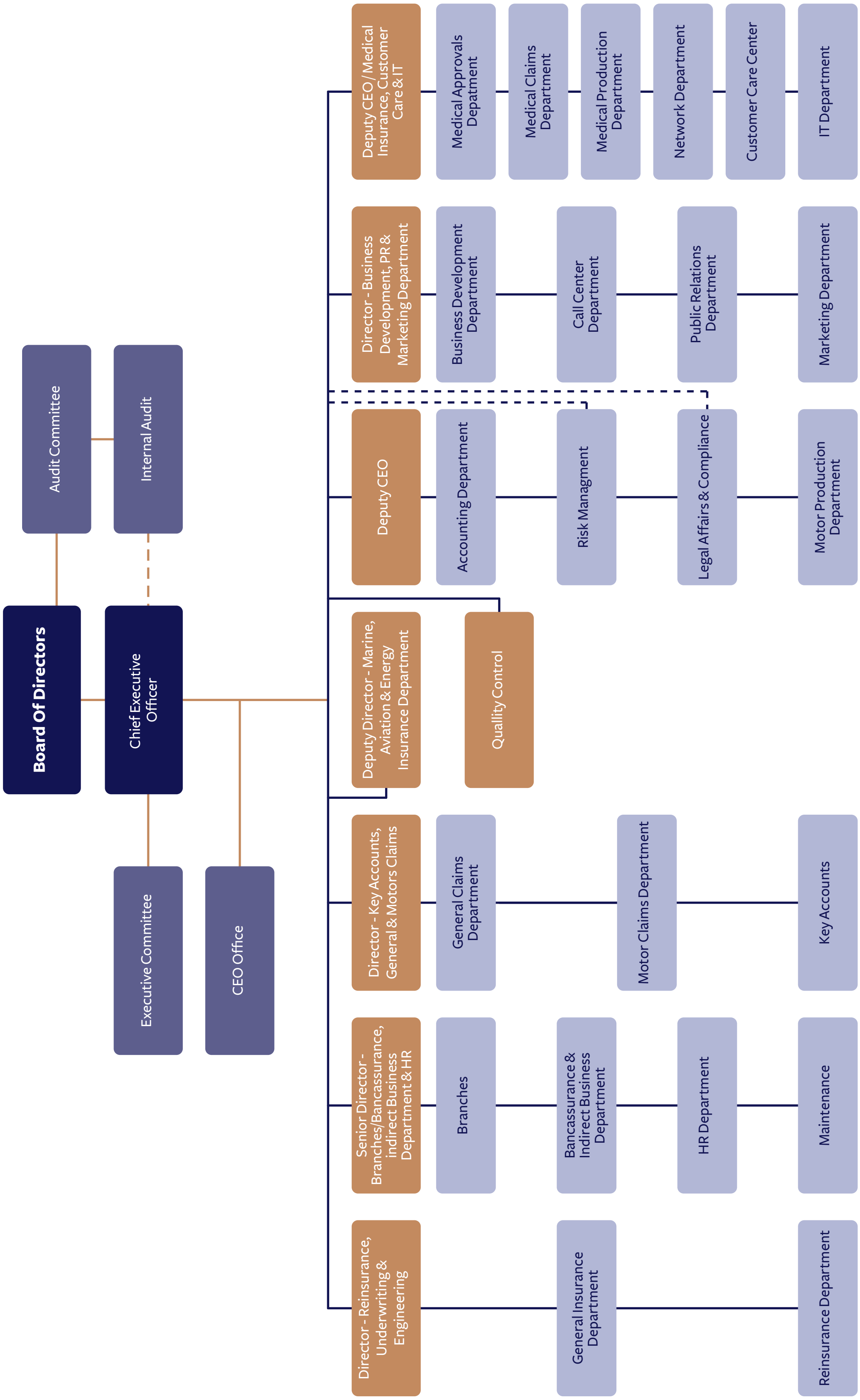
Mr. Yazan Dawoud

Job Title: Senior Manager – Medical Network / Medical Department
Education: BS
Years of Experience: 10 years

Mr. Ahmad Ghanem

Job Title: Senior Operation Manager / Medical Division
Education: BS
Years of Experience: 18 years

Organizational Structure




Financial Statements
31,December 2013

Independent Auditor’s Report

Independent Auditors’ Report To The Shareholders Of
Arab Orient Insurance Public Shareholding Company
Amman – Jordan

We have audited the accompanying financial statements of Arab Orient Insurance Public Shareholding Company, which comprise the statement of financial position as of December 31, 2013, and statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors’ Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arab Orient Insurance Company as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the legal Requirements

The Company maintains proper accounting records and the accompanying financial statements are in agreement with the financial data presented in the Board of Directors’ report. We recommend approving these financial statements.

Amman – Jordan
27 January 2014

Ernst & Young

Bisher Ibrahim Bakir
License Number (592)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

Assets	Notes	2013	2012
		JD	JD
Bank deposits	3	27,517,513	24,369,485
Financial assets at fair value through profit or loss	4	3,159,005	276,573
Financial assets at amortized cost	5	1,271,000	1,370,000
Total Investments		**31,947,518**	**26,016,058**
Cash in hands and at banks	6	4,718,764	2,261,653
Checks under collection	7	5,732,289	5,187,013
Accounts receivable, net	8	30,210,531	26,329,793
Reinsurance receivable	9	2,535,551	3,472,137
Deferred income tax assets	10	1,826,716	1,360,738
Property and equipment, net	11	5,534,586	5,750,326
Intangible assets	12	460,041	72,353
Other assets	13	648,191	542,741
Total Assets		83,614,187	70,992,812
Liabilities and Equity			
Liabilities			
Technical Reserves			
Unearned premium reserve, net		21,240,338	19,421,898
Outstanding claims reserve, net		11,516,902	9,717,368
Total Technical Reserves		32,757,240	29,139,266
Accounts payable	14	6,053,053	2,891,138
Accrued expenses		175,487	153,852
Reinsurance payable	15	13,361,466	11,194,268
Other provisions	16	823,059	667,757
Income tax provision	10	1,328,908	1,098,905
Other liabilities	17	674,058	263,179
Deferred tax liabilities	10	83,820	-
Total Liabilities		55,257,091	45,408,365
Shareholders Equity			
Paid in capital	18	20,035,750	18,725,000
Statutory reserve	19	3,330,917	2,790,322
Retained earnings	20	4,990,429	4,069,125
Total Shareholders Equity		28,357,096	25,584,447
Total Liabilities and Shareholders Equity		83,614,187	70,992,812

Chairman of
the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

Revenue	Notes	2013	2012
		JD	JD
Gross written premiums		86,019,536	77,585,752
Less: reinsurance share		(44,029,614)	(39,833,438)
Net written premiums		41,989,922	37,752,314
Net change in unearned premiums reserve		(1,818,440)	(4,423,014)
Net earned premiums		40,171,482	33,329,300
Commissions income		8,005,650	7,210,895
Insurance policies issuance fees		4,739,872	5,055,962
Interest income	21	1,686,293	1,108,942
Loss from financial assets and investments	22	404,120	(79,202)
Total revenues		**55,007,417**	**46,625,897**
Claims and related expenses			
Paid claims		61,633,012	56,461,932
Less: Recoveries		(3,069,314)	(2,956,076)
Less: Reinsurance share		(23,625,022)	(24,702,740)
Paid claims, net		34,938,676	28,803,116
Net change in claims reserve		1,799,534	1,681,837
Allocated employees' expenses	23	4,475,095	4,104,195
Allocated administrative expenses	24	2,680,919	2,345,374
Excess of loss premiums		775,451	541,219
Policies acquisition costs		1,803,760	1,664,401
Other expenses		163,294	126,172
Net Claims		**46,636,729**	**39,266,314**
Unallocated employees' expenses	23	1,118,774	1,026,048
Depreciation and amortization	11,12	526,026	477,884
Unallocated general and administrative expenses	24	670,229	586,344
Allowance for doubtful debts	9	550,000	500,000
Impairment of financial assets at amortized cost	5	99,000	300,000
(Gain) loss from sale of property and equipment		708	(3,074)
Other expenses	25	35,000	35,000
Total expenses		**2,999,737**	**2,922,202**
Profit for the year before tax		**5,370,951**	**4,437,381**
Income tax expenses	10	(1,287,552)	(1,093,041)
Profit for the year		**4,083,399**	**3,344,340**
		JD/Fils	**JD/Fils**
Basic and diluted earnings per share	**26**	**0.204**	**0.167**

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013	2012
		JD	JD
Profit for the year		**4,083,399**	**3,344,340**
Add: other comprehensive income		-	-
Total comprehensive income for the year		**4,083,399**	**3,344,340**

The attached notes 1 to 37 form part of these financial statements

Chairman of
the board of Directors

Chief Executive Officer

Statement Of Changes In Shareholders' Equity
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Paid in capital	Statutory reserve	Retained earnings ***	Total
		JD	JD	JD	JD
2013					
Balance at 1 January 2013		**18,725,000**	**2,790,322**	**4,069,125**	**25,584,447**
Total comprehensive income		-	-	4,083,399	4,083,399
Cash capital increase *	18	1,310,750	-	(1,310,750)	-
Dividends **		-	-	(1,310,750)	(1,310,750)
Transfer to reserve		-	540,595	(540,595)	-
Balance at 31 December 2013		**20,035,750**	**3,330,917**	**4,990,429**	**28,357,096**
2012					
Balance at 1 January 2012		**17,500,000**	**2,343,084**	**3,272,023**	**23,115,107**
Total comprehensive income		-	-	3,344,340	3,344,340
Cash capital increase	18	1,225,000	-	(1,225,000)	-
Dividends		-	-	(875,000)	(875,000)
Transfer to reserve		-	447,238	(447,238)	-
Balance at 31 December 2012		**18,725,000**	**2,790,322**	**4,069,125**	**25,584,447**

* According to the extra ordinary General Assembly of Shareholders' resolution on March 27, 2013 and the securities commission's decision on 28 May 2013 the increase of the Company's capital has been approved by JD 1,310,750 through the capitalization of retained earnings and the distribution of free stock dividend of 7% of paid in capital accordingly, the authorized and paid in capital became JD 20,035,750.

** On 27 March 2013, the General Assembly of Shareholders approved the board of directors recommendation to distribute cash dividends of 7% of the paid capital as of 31 December 2012.

*** Retained earnings include an amount of JD 1,826,716 as of December 31, 2013 (2012: JD 1,360,738), representing deferred tax assets that cannot be distributed according to the securities commission instructions. This item include unrealized profits from financial assets in accordance with the instructions of the Securities Commission amounted JD 349,252 as of 31 December, 2013.

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

Cash Flows from Operating Activities	Note	2013	2012
		JD	JD
Profit for the year before tax adjustments		5,370,951	4,437,381
Adjustment for non cash items			
Depreciation and amortization		526,026	477,884
Allowance for doubtful debt		550,000	500,000
Net change in fair value of financial assets at fair value through profit or loss		(349,252)	90,221
Impairment losses on financial assets at amortized cost		99,000	300,000
loss (Gain) from sale of property and equipment		708	(3,074)
Other provision		155,302	138,015
Net change in unearned premiums reserve		**1,818,440**	**4,423,014**
Net change in outstanding claims reserve		**1,799,534**	**1,681,837**
Cash flows from operating activities before changes in working capital		**9,970,709**	**12,045,278**
Checks under collection		(545,276)	(809,006)
Accounts receivable		(4,430,738)	(3,985,629)
Reinsurers' receivable		936,586	158,809
Other assets		(105,450)	(44,767)
Accounts payable		3,161,915	(388,924)
Accrued expenses		21,635	55,590
Reinsurers' payable		2,167,199	2,572,927
Other payables		410,879	44,153
Net cash flows from operating activities before tax		**11,587,459**	**9,648,431**
Income tax paid		(1,439,707)	(1,625,087)
Net cash flows from operating activities		**10,147,752**	**8,023,344**
Cash Flows from Investing Activities			
(Purchase) of financial assets at fair value through profit or loss		(2,533,180)	-
(Purchase) of intangible assets		(72,595)	(41,708)
(Purchase) of property and equipment		(314,822)	(479,377)
(Payment) on purchase of property and equipments		(346,500)	-
Proceeds from sale of property and equipment		35,234	49,400
Net cash flows used in investing activities		**(3,231,863)**	**(471,685)**
Cash Flows from Financing Activities			
Cash dividends		(1,310,750)	(875,000)
Net cash flow used in financing activities		(1,310,750)	(875,000)
Net increase in cash and cash equivalent		**5,605,139**	**6,676,659**
Cash and cash equivalents at beginning of the year		**26,406,138**	**19,729,479**
Cash and cash equivalents at the end of the year	**27**	**32,011,277**	**26,406,138**

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF UNDERWRITING REVENUES FOR THE GENERAL INSURANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Motor		Marine		Aviation		Fire and property	
	2013	2012	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD	JD	JD
Written Premiums:								
Direct insurance	19,218,786	16,390,330	2,121,607	1,592,681	65,902	263,269	5,225,756	4,347,310
Reinsurance inward business	1,689,643	1,477,888	139,481	192,198	-	-	2,501,220	2,278,212
Total Premiums	**20,908,429**	**17,868,218**	**2,261,088**	**1,784,879**	**65,902**	**263,269**	**7,726,976**	**6,625,522**
Less:								
Local reinsurance share	1,900,805	1,892,308	145,696	194,341	-	-	492,174	610,084
Foreign reinsurance share	325,328	30,905	1,521,768	1,109,570	65,902	263,269	5,995,133	4,865,766
Net Written Premiums	**18,682,296**	**15,945,005**	**593,624**	**480,968**	**-**	**-**	**1,239,669**	**1,149,672**
Add:								
Balance at the beginning of the year								
Unearned premiums reserve	8,814,850	6,957,362	702,379	450,105	17,878	329,594	3,143,126	2,421,211
Less: Reinsurance share	737,374	562,498	539,518	342,245	17,878	329,594	2,693,421	2,055,265
Net Unearned Premiums Reserve	**8,077,476**	**6,394,864**	**162,861**	**107,860**	**-**	**-**	**449,705**	**365,946**
Less:								
Balance at year end								
Unearned premiums reserve	11,377,448	8,814,850	342,903	702,379	17,691	17,878	4,383,574	3,143,126
Less Reinsurance share	682,895	737,374	248,326	539,518	17,691	17,878	3,846,943	2,693,421
Unearned Premiums Reserve- net	**10,694,553**	**8,077,476**	**94,577**	**162,861**	**-**	**-**	**536,631**	**449,705**
Earned revenue from written Premiums- net	**16,065,219**	**14,262,393**	**661,908**	**425,967**	**-**	**-**	**1,152,743**	**1,065,913**

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF UNDERWRITING REVENUES FOR THE GENERAL INSURANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Liability		Medical		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD	JD	JD
Written Premiums:								
Direct insurance	597,654	385,697	48,190,187	44,819,731	5,009,415	5,117,253	80,429,307	72,916,271
Reinsurance inward business	217,918	257,087	-	16,891	1,041,967	447,205	5,590,229	4,669,481
Total Premiums	**815,572**	**642,784**	**48,190,187**	**44,836,622**	**6,051,382**	**5,564,458**	**86,019,536**	**77,585,752**
Less:								
Local reinsurance share	222,569	251,922	-	-	990,942	728,073	3,752,186	3,676,728
Foreign reinsurance share	535,614	225,111	27,909,344	25,762,940	3,924,339	3,899,149	40,277,428	36,156,710
Net Written Premiums	**57,389**	**165,751**	**20,280,843**	**19,073,682**	**1,136,101**	**937,236**	**41,989,922**	**37,752,314**
Add:								
Balance at the beginning of the year								
Unearned premiums reserve	367,847	172,807	19,754,568	19,916,877	2,238,762	2,256,044	35,039,410	32,504,000
Less: Reinsurance share	283,321	96,188	9,437,907	12,206,365	1,908,093	1,912,961	15,617,512	17,505,116
Net Unearned Premiums Reserve	**84,526**	**76,619**	**10,316,661**	**7,710,512**	**330,669**	**343,083**	**19,421,898**	**14,998,884**
Less:								
Balance at year end								
Unearned premiums reserve	349,010	367,847	21,386,200	19,754,568	2,685,099	2,238,762	40,541,925	35,039,410
Less Reinsurance share	264,095	283,321	11,900,844	9,437,907	2,340,793	1,908,093	19,301,587	15,617,512
Unearned Premiums Reserve- net	**84,915**	**84,526**	**9,485,356**	**10,316,661**	**344,306**	**330,669**	**21,240,338**	**19,421,898**
Earned revenue from written Premiums- net	**57,000**	**157,844**	**21,112,148**	**16,467,533**	**1,122,464**	**949,650**	**40,171,482**	**33,329,300**

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Motor		Marine		Aviation		Fire and property	
	2013	2012	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	13,732,766	14,435,136	263,453	227,015	-	-	1,344,650	1,085,179
Less:								
Recoveries	2,983,112	2,916,157	-	-	-	-	85,256	39,663
Local reinsurance share	380,669	310,711	-	-	-	-	153,481	165,865
Foreign reinsurance share	19,570	108,316	138,889	113,463	-	-	664,872	499,896
Net Paid Claims	**10,349,415**	**11,099,952**	**124,564**	**113,552**		**-**	**441,041**	**379,755**
Add:								
Outstanding Claims Reserve at year end								
Reported	8,535,315	6,433,583	134,899	127,246	-	-	920,069	656,499
Unreported	1,600,000	1,000,000	10,000	20,000	-	-	203,000	100,000
Less Reinsurance share from reported claims	852,522	710,331	103,620	94,669	-	-	786,472	508,400
Less Reinsurance share from IBNR	120,000	-	-	-	-	-	-	-
Less Recoveries	724,441	938,695	-	-	-	-	-	-
Net Outstanding Claims Reserve at year end	**8,438,352**	**5,784,557**	**41,279**	**52,577**	**-**	**-**	**336,597**	**248,099**
Less:								
Outstanding Claims Reserve at the beginning of the year								
Reported	6,433,583	6,621,954	127,246	125,016	-	-	656,499	459,513
Unreported	1,000,000	600,000	20,000	7,000	-	-	100,000	45,000
Less Reinsurance share from reported claims	710,331	982,109	94,669	95,217	-	-	508,400	360,455
Less Reinsurance share from IBNR	-	-	-	-	-	-	-	-
Less Recoveries	938,695	716,203	-	-	-	-	-	-
Net Outstanding Claims Reserve at the beginning of the year	**5,784,557**	**5,523,642**	**52,577**	**36,799**	**-**	**-**	**248,099**	**144,058**
Net Claims Cost	**13,003,210**	**11,360,867**	**113,266**	**129,330**	**-**	**-**	**529,539**	**483,796**

The attached notes 1 to 37 form part of these financial statements

Chairman of
the board of Directors

Chief Executive Officer

STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Liability		Medical		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	15,014	56,166	45,771,369	40,039,206	505,760	619,230	61,633,012	56,461,932
Less:								
Recoveries	500	-	-	-	446	256	3,069,314	2,956,076
Local reinsurance share	435	669	-	-	41,320	200,943	575,905	678,188
Foreign reinsurance share	-	26,151	21,975,271	23,115,978	250,515	160,748	23,049,117	24,024,552
Net Paid Claims	**14,079**	**29,346**	**23,796,098**	**16,923,228**	**213,479**	**257,283**	**34,938,676**	**28,803,116**
Add:								
Outstanding Claims Reserve at year end								
Reported	59,015	70,220	1,714,909	5,303,756	4,894,888	1,930,567	16,259,095	14,521,871
Unreported	30,000	30,000	2,778,380	2,032,312	156,000	70,000	4,777,380	3,252,312
Less Reinsurance share from reported claims	63,385	47,890	887,660	2,974,556	4,543,346	1,731,940	7,237,005	6,067,786
Less Reinsurance share from IBNR	-	-	1,438,127	1,050,334	-	-	1,558,127	1,050,334
Less Recoveries	-	-	-	-	-	-	724,441	938,695
Net Outstanding Claims Reserve at year end	**25,630**	**52,330**	**2,167,502**	**3,311,178**	**507,542**	**268,627**	**11,516,902**	**9,717,368**
Less:								
Outstanding Claims Reserve at the beginning of the year								
Reported	70,220	107,938	5,303,756	3,284,732	1,930,567	1,241,039	14,521,871	11,840,192
Unreported	30,000	15,000	2,032,312	1,927,507	70,000	30,000	3,252,312	2,624,507
Less Reinsurance share from reported claims	47,890	74,677	2,974,556	1,987,680	1,731,940	1,046,440	6,067,786	4,546,578
Less Reinsurance share from IBNR	-	-	1,050,334	1,166,387	-	-	1,050,334	1,166,387
Less Recoveries	-	-	-	-	-	-	938,695	716,203
Net Outstanding Claims Reserve at the beginning of the year	**52,330**	**48,261**	**3,311,178**	**2,058,172**	**268,627**	**224,599**	**9,717,368**	**8,035,531**
Net Claims Cost	**(12,621)**	**33,415**	**22,652,422**	**18,176,234**	**452,394**	**301,311**	**36,738,210**	**30,484,953**

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Motor		Marine		Aviation		Fire and property	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	16,065,219	14,262,393	661,908	425,967	-	-	1,152,743	1,065,913
Less:								
Net claims cost	13,003,210	11,360,867	113,266	129,330	-	-	529,539	483,796
	3,062,009	2,901,526	548,642	296,637	-	-	623,204	582,117
Add:								
Commissions received	114,097	67,220	461,688	398,167	5,429	10,039	1,330,891	1,000,551
Insurance policies issuance fees	1,503,009	1,331,803	62,751	76,028	1,092	2,576	181,162	164,790
Total revenue	**4,679,115**	**4,300,549**	**1,073,081**	**770,832**	**6,521**	**12,615**	**2,135,257**	**1,747,458**
Less:								
Commissions paid	774,268	742,761	160,838	143,760	-	13,545	275,700	180,034
Excess of loss premiums	175,703	155,610	39,556	51,995	-	-	341,653	233,987
Allocated general and administrative expenses	1,739,385	1,485,354	188,101	148,374	5,482	21,885	642,812	550,768
Other expenses	-	-	6,572	5,187	-	-	18,850	17,010
Total Expenses	**2,689,356**	**2,383,725**	**395,067**	**349,316**	**5,482**	**35,430**	**1,279,015**	**981,799**
Underwriting profit (loss)	**1,989,759**	**1,916,824**	**678,014**	**421,516**	**1,039**	**(22,815)**	**856,242**	**765,659**

Chairman of
the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE FOR THE YEAR ENDED 31 DECEMBER 2013

	Liability		Medical		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	57,000	157,844	21,112,148	16,467,533	1,122,464	949,650	40,171,482	33,329,300
Less:								
Net claims cost	(12,621)	33,415	22,652,422	18,176,234	452,394	301,311	36,738,210	30,484,953
	69,621	124,429	(1,540,274)	(1,708,701)	670,070	648,339	3,433,272	2,844,347
Add:								
Commissions received	156,931	98,057	5,163,984	4,879,821	772,630	757,040	8,005,650	7,210,895
Insurance policies issuance fees	26,875	21,431	2,710,097	3,234,797	254,886	224,537	4,739,872	5,055,962
Total revenue	**253,427**	**243,917**	**6,333,807**	**6,405,917**	**1,697,586**	**1,629,916**	**16,178,794**	**15,111,204**
Less:								
Commissions paid	8,604	11,250	490,376	502,911	93,974	70,140	1,803,760	1,664,401
Excess of loss premiums	-	-	-	-	218,539	99,627	775,451	541,219
Allocated general and administrative expenses	67,848	53,434	4,008,969	3,727,191	503,417	462,563	7,156,014	6,449,569
Other expenses	-	-	129,816	98,052	8,056	5,923	163,294	126,172
Total Expenses	**76,452**	**64,684**	**4,629,161**	**4,328,154**	**823,986**	**638,253**	**9,898,519**	**8,781,361**
Underwriting profit (loss)	**176,975**	**179,233**	**1,704,646**	**2,077,763**	**873,600**	**991,663**	**6,280,275**	**6,329,843**

Chairman of the board of Directors

Chief Executive Officer

The attached notes 1 to 37 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

(1) General

The Company was established in 1996 and registered as a public limited shareholding company under No. (309), with a paid up capital of JD 2,000,000 divided into 2,000,000 shares of JD 1 each. During 2013 the company authorized and paid in capital increased to 20,035,750 divided into 20,035,750 shares.

The Company is engaged in insurance business against accidents, fire, marine, transportation, 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, Tla'a Al Ali, Biader Wadi Elseer and Abdali in Amman, Aqaba branch in Aqaba, and Irbid branch in Irbid.

The Compnay is 88.9% owned by Gulf Insurance Company.

The number of the Company's employees was 266 as of December 31, 2013 (2012: 257).

The financial statements for the year 2013 were approved by the Board of Directors in its meeting No. (1) dated January 27, 2014.

(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 for the year ended 31 December 2013 are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013:

Implementation of new and amended standards Since December 1ST 2013:

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

This standard became effective stating from 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard became effective starting from 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

This standard became effective stating from 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard became effective for annual periods starting from 1 January 2013.

The application of the new standards did not have a significant impact on the financial position or performance of the Company.

Amended Standards

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment became effective starting from 1 January 2013.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities Amendments to IFRS7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Company's financial position or performance and became effective starting from 1 January 2013.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company does not expect the amendments to have any impact on its financial position or performance as the Company does not have employees benefit plans. The amendment became effective starting from 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment became effective starting from 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment became effective for annual periods starting from 1 January 2013.

Accounting policies:

The following are significant accounting policies followed by the Company:

Business Sector

The business sector represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which in 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.

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 investments 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.

A) Financial assets at amortized cost

Financial assets at amortized cost must be measured if the following conditions are met:

- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows.
- The cash flows according to contractual condition for these assets arise in specific dates and only represent payment for the asset amount and for the interest calculated on these assets.

Assets at amortized cost is recorded at cost upon purchase plus acquisition expenses, the premium/ discount (if any) is amortized by using the effective interest rate method records on the interest or for its account. Any provisions resulted from impairment in its value is deducted and any impairment in its value is recorded in the statement of income.

The amount of the impairment consists of the difference between the book value and present value of the expects future cash flows discounted at the original effective interest rate.

The standard permits in cases to measure these assets at fair value through statement of income if that eliminates or reduces to a large extent the inconsistency in measurement (sometimes called accounting mismatch) that arise from measurement of assets or liabilities or profit and loss recognition resulted from them in different basis.

B) Financial assets at fair value through profit or loss

- The reaming financial assets that does not meet the financial assets at of amortized cost is measured as financial assets at fair value.

- Financial assets at fair value through the profit or loss, represents investment in equity instruments and debt instrument for the purpose of trading, and the purpose of holds it is to make gains fluctuation in the short term market prices or trading profit margin.

- Financial assets through profit or loss are recorded at fair value upon purchase (the acquisition cost is recorded in the statement of income upon purchase) and re-evaluated at the financial statements date at fair value, the subsequent changes in fair value is recorded in the statement of income during the same period that change occurs including changes in fair value resulted from non- cash translation differences in foreign currency.

All realized profit and dividend recorded at statement of income.

Impairments in Financial Assets Value

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the recoverable value is estimated in order to determine impairment loss.

Impairment amounts are determined by the following:

Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
Impairment in financial assets at fair value through profit or loss recorded at fair value represents the difference between book value and fair value.

Impairment of financial assets recorded at cost represents the difference between the book value and the present value of cash flow discounted at the market rate for similar financial assets.

The Impairment in value is recorded in the statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the statement of income.

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.

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 a variety of inward and outward reinsurance operations with other insurance and reinsurance firms which involves different level of risks. The reinsurance operations include Quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance contracts do not eliminate the Company's liability towards policy holders, where in the case the reinsurance fails to cover its portion 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 portion 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 policies issuance cost

Insurance policies issuance cost represents commissions paid to intermediaries and other direct costs incurred in relation to the issuance and renewal of insurance contracts. These costs are recorded in the statement of income.

Property and equipment

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

	%
Building	2
Furniture	10
Vehicles	15
Computers	20
Tools and equipment	15
Decoration	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

Pledged financial assets

Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, repledge). A periodic review is performed for those properties.

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 15% 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 Reserve

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.

B- Receivables Impairment

The receivables impairment is provided when there is objective evidence that the Company will not be able to collect all or part of the due amounts, and this allowance is calculated based on the difference between book value and recoverable amount. The allowance is measured after monitoring the receivables in details and all receivables aging one year and above is provided for provision.

C- End of service indemnity reserve

The end of service indemnity reserve for employees is calculated based on the Company's policy and in accordance with Jordanian labor law.

The paid amounts as end of service for resigned employees are debited to this account. The Company obligation for the end of serves is recorded in the statement of income.

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 undistributable general and administrative expenses is allocated to different insurance departments based on the ratio of earned premiums of the department to total premiums.

Employee's 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.

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.

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. 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 of doubtful debt is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.

- 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 group of financial assets is impaired, if so this impairment is taken to the statement of income.

(3) Bank Deposits

This item represents the following:

	2013		2012
	Deposits matured between 1-3 months	Total	Total
	JD	JD	JD
Inside Jordan	**27,517,513**	**27,517,513**	**24,369,485**
	27,517,513	**27,517,513**	**24,369,485**

The annual interest rate on the JOD deposits ranged between 5.5% to 6.75% during the year 2013 compared with 5.25 % to 6.25 % during 2012.

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 December, 2013 and 31 December 2012.

Below is the distribution of the Company's deposits:

	2013	2012
	JD	JD
	4,183,930	5,989,706
Jordan Arab Investment Bank	887,782	2,369,749
Capital Bank	1,560,706	1,454,711
Audi Bank	1,160,594	693,939
Societe General Bank	1,580,581	1,266,132
Blom Bank	2,246,564	2,110,682
Al Etihad Bank	3,410,310	3,235,923
Bank of Jordan	1,839,025	1,208,221
Cario Amman Bank	3,451,671	1,944,113
Arab Banking Corporation Bank	3,215,406	2,052,322
Ahli Bank	2,162,521	2,043,987
Egyptian Arab Land bank	1,818,423	-
	27,517,513	**24,369,485**

(4) Financial Assets at Fair Value Through Profit or Loss

This item consists of the following:

	Number of share	2013	2012
		JD	JD
Arab Bank	6,000	46,980	43,500
Arab East Financial Investment Company	1,757	1,230	1,423
Jordan Insurance Company	12,000	25,920	27,600
Jordan Steel	70,000	91,700	92,400
Rum Group for Transportation and Tourism Investment	145,000	114,550	111,650
Cairo Amman Bank	302,753	841,653	-
Amad investment and Real Estate Development	305,930	489,488	-
Afaq- Energy	751,206	1,547,484	-
Total financial assets at fair value through profit or loss inside Jordan		**3,159,005**	**276,573**

(5) Financial Assets at Amortized Cost

This item consists of the following:

	Number of Bonds	2013	2012
		JD	JD
Unlisted Bonds:			
Aqaba Development Company *	127	1,270,000	1,270,000
Arab Real Estate Development Company **	120	1,200,000	1,200,000
Total financial assets at amortized cost – inside Jordan		**2,470,000**	**2,470,000**
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,100,000)
Financial assets amortized cost - net		**1,271,000**	**1,370,000**

The maturity date of the bonds is as follows:

	Less than one year	More than one year
	JD	JD
Bonds		
* Aqaba Development Company	1,270,000	-
** Arab Real Estate Development Company	1,200,000	-
	2,470,000	**-**

The movement on Impairment of financial assets at amortized cost is as follows:

	2013	2012
	JD	JD
Balance at the beginning of the year	1,100,000	800,000
Additions	99,000	300,000
Balance at the end of the year	1,199,000	1,100,000

* The Company bought 127 bonds of Aqaba Development Company during October 2009. These bonds mature on October 1, 2014 and bear interest at a fixed annual rate of 7.75% for the first thirty months and variable interest rate every six month for the remaining thirty month, variable interest rate reached to 7.8% for the period from April 1, 2012 to October 1, 2012 and 7,89% for the period from October 1, 2012 to April 1,2013. Interest on bonds is payable every six month on April and October 1 of each year. Moreover, Bonds are guaranteed by Aqaba Special Economic Zone Authority (Governmental).

Aqaba Development Company bonds are stated at cost of JD 1,270,000.

** 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, 2014 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 1, 2011, noting that after the resolution of the General Assembly of the bonds owners in its meeting held on October 26, 2011 the Housing Bank for Trade and Finance, as the underwriter, has started the legal procedures against Arab Real Estate Development Company (Arab Corp) and filed a lawsuit under number (3460/2011) at the Court of First Insurance 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 1,900,000 as of December 31, 2013.

(6) Cash at banks

This item consists of the following:

	2013	2012
	JD	JD
Cash in hand	9,734	237,862
Current accounts at banks	4,709,030	2,023,791
	4,718,764	2,261,653

(7) Cheques Under Collection

This item consists of the following:

	2013	2012
	JD	JD
Cheques under collection due within six month	4,468,546	3,695,991
Cheques under collection due within more than six months up to due year	1,263,743	1,491,022
	5,732,289	5,187,013

* Cheques under collection become due up to 31st December 2014.

(8) Accounts receivable, Net

This item consists of the following:

	2013	2012
	JD	JD
* Policy holders	32,028,746	27,476,863
Brokers receivables	75,786	76,722
Employee receivables	84,743	82,513
Other	176,536	250,017
	32,365,811	**27,886,115**
**Less: Provision for doubtful debts	(2,155,280)	(1,556,322)
	30,210,531	**26,329,793**

Below is the aging of unimpaired receivables table:

		Due but not impaired			
	Amount not due yet	day 1-90	day 91-180	day 181-360	Total
		JD	JD	JD	JD
31 December 2013	21,927,019	3,702,325	2,934,176	1,647,011	30,210,531
31 December 2012	14,449,136	10,812,538	510,458	557,661	26,329,793

* Includes scheduled payment amounted to JD 21,927,019 as of December 31, 2013 (JD 14,449,136 as oF December 31, 2012).

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

	2013	2012
	JD	JD
Balance at the beginning of the year	1,556,322	958,341
Additions	550,000	500,000
Transfer from reinsurance receivable	48,958	97,981
Balance at year end	**2,155,280**	**1,556,322**

(9) Reinsurance Receivables, Net

This item consists of the following:

	2013	2012
	JD	JD
Local insurance companies	1,364,357	878,387
Foreign reinsurance companies	1,265,914	2,737,428
	2,630,271	**3,615,815**
* Less: Provision for doubtful debt for reinsurance receivables	(94,720)	(143,678)
Net reinsurance receivables	**2,535,551**	**3,472,137**

* Below is the ageing of the unimpaired reinsurance receivables table:

	Due but not impaired			
	day 1-90	day 91-180	day 181-270	Total
	JD	JD	JD	JD
31 December 2013	2,161,476	231,511	142,564	2,535,551
31 December 2012	2,542,655	438,557	490,925	3,472,137

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

	2013	2012
	JD	JD
Balance at the beginning of the year	143,678	241,659
Transfer to reinsurance receivable	(48,958)	(97,981)
Balance at year end	**94,720**	**143,678**

(10)Income tax

A- Income tax provision

The movement on the income tax provision is as follows:

	2013	2012
	JD	JD
Balance at beginning of the year	1,098,905	1,227,301
Income tax paid	(1,363,799)	(1,575,817)
Income tax paid in advance	(75,908)	(49,270)
Income tax expense for the year	1,669,710	1,496,691
Balance at year end	**1,328,908**	**1,098,905**

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

	2013	2012
	JD	JD
Income tax for the year	1,669,710	1,496,691
Deferred tax assets	(465,978)	(403,650)
Deferred tax liabilities	83,820	-
	1,287,552	1,093,041

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

	2013	2012
	JD	JD
Accounting profit	5,370,951	4,437,381
Not deductible expenses	1,976,577	1,807,093
Non taxable income	(390,403)	(8,263)
Taxable profit	6,957,125	6,236,211
Effective income tax rate	24%	24%
Income tax rate	24%	24%

Final settlement between the Company and Income Tax Department was reached up to the end of 2011, and the sales taxes up to May 31 2012.

In the opinion of management and the tax consultant the income tax provision is calculated in accordance with the most recent enacted income tax law and its adequate as of 31 December 2013.

According to the income tax law a tax rate of 24% used to calculate the income tax as of December 31, 2013.

B-Deferred tax assets/ liabilities

This item consists of the following:

	2013				2012
	Beginning Balance	Addition	Ending Balance	Deferred Tax	Deferred Tax
A. Deferred tax asset	JD	JD	JD	JD	JD
Provision for doubtful debt	1,700,000	550,000	2,250,000	540,000	408,000
Impairment loss financial asset	1,100,000	99,000	1,199,000	287,760	264,000
Provision for incurred but not reported claim, net	2,201,978	1,137,282	3,339,260	801,422	528,476
Provision for end of service indemnity	667,757	155,302	823,059	197,534	160,262
	5,669,735	**1,941,584**	**7,611,319**	**1,826,716**	**1,360,738**
B. Deferred tax liabilities					
Unrealized gain from financial assets at fair value through P&L	-	349,252	349,252	83,820	-
	-	349,252	349,252	83,820	-

* Movement on deferred tax asset consists of the follows:

	Liabilities		Assets	
	2013	2012	2013	2012
	JD	JD	JD	JD
Beginning balance	-	-	1,360,738	957,088
Additions	83,820	-	465,978	403,650
Ending balance	83,820	-	1,826,716	1,360,738

(11) Property and Equipment

This item consists of the following:

	Land	Building	Computers	Decoration	Equipment, tools and furniture	Vehicles	Total
31 December 2013	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Cost							
Balance at the beginning of the year	1,545,000	2,575,000	544,401	859,594	1,105,042	276,000	6,905,037
Additions	-	-	124,571	660	30,292	159,300	314,823
Disposals	-	-	(16,990)	-	(34,384)	(54,300)	(105,674)
Balance at the end of the year	1,545,000	2,575,000	651,982	860,254	1,100,950	381,000	7,114,186
Accumulated depreciation							
Balance at the beginning of the year	-	120,167	323,740	265,400	358,692	86,712	1,154,711
Additions	-	51,500	90,073	164,751	134,505	53,790	494,619
Disposals	-	-	(16,514)	-	(17,301)	(35,915)	(69,730)
Balance at the end of the year	-	171,667	397,299	430,151	475,896	104,587	1,579,600
Net book value	**1,545,000**	**2,403,333**	**254,683**	**430,103**	**625,054**	**276,413**	**5,534,586**
31 December 2012	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**	**JD**
Cost							
Balance at the beginning of the year	1,545,000	2,575,000	490,258	732,677	959,330	216,350	6,518,615
Additions	-	-	54,143	121,917	174,817	128,500	479,377
Transfer from payment on purchase property and equipment	-	-	-	5,000	-	-	5,000
Disposals	-	-	-	-	(29,105)	(68,850)	(97,955)
Balance at the end of the year	1,545,000	2,575,000	544,401	859,594	1,105,042	276,000	6,905,037
Accumulated depreciation							
Balance at the beginning of the year	-	68,667	239,750	110,890	256,421	75,558	751,286
Additions	-	51,500	83,990	154,510	127,889	37,165	455,054
Disposals	-	-	-	-	(25,618)	(26,011)	(51,629)
Balance at the end of the year	-	120,167	323,740	265,400	358,692	86,712	1,154,711
Net book value	**1,545,000**	**2,454,833**	**220,661**	**594,194**	**746,350**	**189,288**	**5,750,326**

Property and equipment include fully depreciated items amounting to JD 572,720 as 31 December 2013 (JD 578,810 as 31 December 2012), which are still being used up to the date of the financial statements.

(12) Intangible Assets

	2013	2012
	JD	JD
Balance at the beginning of the year	72,353	53,475
Additions	72,595	41,708
Disposals	(31,407)	(22,830)
Payments on the purchase of intangible assets	346,500	-
Balance at the end of the year	**460,041**	**72,353**

(13) Other Assets

This item consists of the following:

	2013	2012
	JD	JD
Unearned accrued revenues	259,405	195,537
Prepaid expenses	80,799	88,962
Refundable deposits	272,944	236,972
Medical tools for claims	35,043	21,270
	648,191	**542,741**

(14) Accounts Payable

This item consists of the following:

	2013	2012
	JD	JD
Agents payables	520,510	497,032
Employee payables	12,972	5,952
Garages payable	543,445	402,567
Medical network	3,197,968	978,542
Trade and companies payable	1,734,058	961,371
Other payables	44,100	45,674
	6,053,053	**2,891,138**

(15) Reinsurers Payable

The item consists of the following:

	2013	2012
	JD	JD
Local insurance companies	164,900	122,539
Foreign reinsurance companies	13,196,566	11,071,729
	13,361,466	**11,194,268**

(16) Other Provisions

This item consists of the following:

	2013	2012
	JD	JD
Provision for end of service indemnity	823,059	667,757
	823,059	**667,757**

The schedule represents the movement on provisions.

	Beginning balance	Additions during the year	Used during the year	Ending balance
	JD	JD	JD	JD
Provision for end of service indemnity	667,757	155,302	-	823,059
	667,757	**155,302**	**-**	**823,059**

(17) Other Liabilities

This item consists of the following:

	2013	2012
	JD	JD
Board of Directors remuneration	35,000	35,000
Due to shareholders – subscription refunds	24,211	24,147
Stamps withholdings	125,678	60,681
Sales tax withholdings	455,750	121,919
Others	33,419	21,432
	674,058	**263,179**

(18) Paid In Capital

Subscribed and paid in capital amounted to JD 20,035,750 divided into 20,035,750 shares the par value of each is JD 1 as of December 31, 2013 (JD 18,725,000 shares of JD 1 each as of December 31, 2012).

According to the General Assembly's resolution in its extraordinary meeting held on March 27, 2013 and the resolution of the Securities Commission's decision made on 28 May 2013, it was decided to increase the Company's capital by JD 1,310,750 from retained earnings through distributing free shares with a percentage of 7% from capital, so that paid up capital would become 20,035,750 share / JD.

Proposed divided to Share Holders

The board directors recommended in their meeting held on 27 January 2014 to general assembly for Share Holders to approve the distribution of 7% at the Company's capital as a dividend to Share Holder which is equivalent to JD 1,402,502 in addition to the distribution of free shares of 7% from paid which is equivalent to JD 1,402,502.

(19) Legal Reserve

Statuary 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.

(20) retained earnings

The item consists of the following:

	2013	2012
	JD	JD
Beginning balance	4,069,125	3,272,023
Dividends	(1,310,750)	(875,000)
Distribution of bonus shares	(1,310,750)	(1,225,000)
Profit for the year	4,083,399	3,344,340
Transfer to reserves	(540,595)	(447,238)
Ending balance of the year	**4,990,429**	**4,069,125**

(21) Interest Income

The item consists of the following:

	2013	2012
	JD	JD
Bank interest	1,581,198	1,009,481
Interest from financial assets at amortized cost	105,095	99,461
Total	**1,686,293**	**1,108,942**
Transferred to statement of income		
Transferred to underwrite accounts	-	-
	1,686,293	**1,108,942**

(22) Loss from financial Assets and Investments

This item consists of the following:

	2013	2012
	JD	JD
(Cash dividends received (financial assets at fair value through profit or loss	54,868	11,019
Net change in fair value of financial assets at fair value through profit or loss	349,252	(90,221)
Transferred to statement of income	404,120	(79,202)
Transferred to underwrite accounts	-	-
	404,120	**(79,202)**

(23) Employee Expenses

This item consists of the following:

	2013	2012
	JD	JD
Salaries and bonuses	4,615,385	4,249,122
End of service indemnity	155,302	138,015
Social security contribution	423,808	397,315
Medical expenses	231,508	159,152
Travel and transportation	152,442	168,535
Training	15,424	18,104
Total	**5,593,869**	**5,130,243**
Allocated employee expenses to the underwriting account	4,475,095	4,104,195
Unallocated employee expense to the underwriting account	1,118,774	1,026,048

(24) General and Administrative Expenses

This item consists of the following:

	2013	2012
	JD	JD
Rent expense	171,368	186,685
Stationery and printing	556,892	465,741
Advertisements	396,810	257,006
Bank interest and commission expenses	64,353	55,403
Water, electricity and heating	102,719	117,360
Maintenance expense	127,917	129,242
Postage and telecommunications	268,524	222,302
Building management fees	65,846	70,618
Hospitality	81,795	80,600
Legal fees and expenses	126,511	109,225
Subscriptions	25,546	28,639
Insurance commission fees	645,374	586,461
Government fees and other fees	74,557	62,447
Donations	5,950	6,035
Office insurance expenses	34,568	32,099
Cleaning expense	35,966	29,333
Professional fees	21,200	17,500
Board members transportation fees	42,000	42,000
Board members committee fees	4,600	5,600
Tenders expenses	135,101	95,513
Vehicles expenses	49,244	46,820
Collection expense	84,409	78,263
Technical consulting fees	59,001	42,211
Orange card fees	2,750	4,000
Others	168,147	160,615
Total	**3,351,148**	**2,931,718**
Allocated general & administrative expenses to the underwriting accounts	2,680,919	2,345,374
Unallocated general and administrative expense to the underwriting account	670,229	586,344

(25) Other Expenses

This item consists of the following:

	2013	2012
	JD	JD
Board of director remunerations	35,000	35,000

(26) Basic and Diluted Earnings Per Share

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

	2013	2012
	JD	JD
Profit for the year	4,083,399	3,344,340
Weighted average number of shares	20,035,750	20,035,750
Basic and diluted earnings per share from the year's income	Fils/ JD	Fils/ JD
	0.204	**0,167**

The weighted average number of shares for the year 2013 has been adjusted with the stock dividends in accordance with the International Financial Reporting Standards.

(27) Cash and Cash Equivalents

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

	2013	2012
	JD	JD
Cash in hands and at banks	4,718,764	2,261,653
Add: deposits at banks matured within three month	27,517,513	24,369,485
Less: restricted deposits to the insurance commission (Note 3)	225,000	225,000
Net Cash and cash equivalent	**32,011,277**	**26,406,138**

(28) 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 prices and commercial commission. All debts provided to related parties are considered performing and no provision has been taken for them as of 31, December 2013.

Below is a summary of related parties transactions, which represents transactions during the year as the follows:

	December 31, 2013				December 31, 2012
	Jordan Kuwait Bank (Board member until 18/4/2014)	Askadenia company	Top Executive Management	Total	Total
Statement of Financial Position Items:	**JD**	**JD**	**JD**	**JD**	**JD**
Time deposits	4,183,930	-	-	4,183,930	5,989,706
Overdraft account (ceiling of JD100,000)/ credit balance	2,374,100	-	-	2,374,100	1,281,248
Demand deposits	2,242,331	-	-	2,242,331	688,852
Deposits on letters of guarantee	256,646	-	-	256,646	220,708
Accounts receivable	19,170	2,272	17,769	39,211	40,664
Payment on the purchase of intangible asset	-	346,500	-	346,500	-
Off-statement of Financial Position Items:					
Letters of guarantee	2,566,460	-	-	2,566,460	2,207,080
Statement of Income Items :					
Bank interest income	241,402	-	-	241,402	224,950
Insurance premiums	1,204,096	60,036	5,914	1,270,046	1,078,631
Bank expenses and commissions	83,142	-	-	83,142	51,754
Salaries	-	-	838,342	838,342	743,862
Bonuses	-	-	290,059	290,059	246,546
Travel expenses for members of the Board of Directors	-	-	-	42,000	42,000
Bonus expenses for members of the Board of Directors	-	-	-	35,000	35,000

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

	2013	2012
	JD	**JD**
Salaries and bonuses	1,128,401	990,408
	1,128,401	**990,408**

(29) Fair value of financial instruments

There are no significant differences between the book value and fair value of the financial assets and financial liabilities at the end of the year 2013 and 2012.

(30) Risk Management

First: Explanatory Disclosures:

Risk management is the evaluation of the risk process of measurement and development of strategies to manage it. These strategies include the transfer of risks to another party, avoiding and mitigating their adverse effect on the Company, in addition to accepting the related consequences partially or wholly. Risk management can be divided into four sections:

First: Material risks such as natural catastrophes, fires, accidents, and other external risks not relating to the Company's operations.
Second: Legal risks resulting from legal claims or any risks arising from the laws and regulations issued by the Insurance Commission and the related non-compliance.
Third: Risks arising from financial matters such as interest rate, insurance risk, foreign currencies risks, and market risk.
Fourth: Intangible risks that are difficult to identify such as knowledge risk that occurs upon the application of inadequate knowledge by employees. Moreover, relationships risks occur when there is inefficient cooperation with clients. All of these risks reduce the employee's productivity in knowledge and lessen the effectiveness of expenditures, profit, service, quality, reputation, and the quality of gains.

Management of risks adopted by the Company relies on prioritizing so that risks with huge losses and high probability are treated first while risks with lower losses and lesser probability are treated later on.

Risk Management Policy

First: Planning and Preparation
The work scope plan and criteria for adopting and evaluating risks at the Company have been set through creating the Institutional Development and Quality Department that monitors this performance.

Second: Identification of Risks
Risks represent events that create problems upon their occurrence. Therefore, these problems should be identified at their origin. When the problem or its origin is identified, the related accident may lead to new risks that can be treated prior to their occurrence. There are many ways to identify risks such as identification based on objectives as each of the Company's sections has certain objectives it endeavors to achieve. Any event that threatens the achievement of these objectives is considered a risk. Based on this, risks are studied and pursued. Moreover, there is a type of risk identification based on a comprehensive classification of all probable sources of risk. Still another type of risk identification is common risks especially for similar companies.

Third: Risk Treatment Method
The Company deals with probable risks by means of the following methods:

- Transfer: This represents the process of transferring the risk to another party through contracts or financial protection.
- Avoidance: This is an active process to ward off risk through avoiding works that lead to risks. Avoidance is the best preventive method against risk. This may deprive the Company from conducting certain activities profitable for the Company.
- Reduction: This is the process of decreasing the loss arising from the occurrence of risk.
- Acceptance: There should be a policy to accept unavoidable risks as acceptance of small risks is an effective strategy.

Fourth: Plan
An easy and clear plan has been set to deal with risks through a pricing policy that relies on historical statistics to avoid the occurrence of risks from any insurance branch so that the premium covers the probable cumulative risks.
Fifth: Execution
The Company's technical departments execute the plan so that the risk effects are mitigated. Moreover, all avoidable risks are avoided.

Sixth: Plan Review and Evaluation
The Risks Department follows up on the Company's development and constantly and continuously develops and upgrades the plan in effect.

Risk Management Arrangements

Determinants
Top priority is given to the Risks Department. This affects the Company's productivity and profitability. Moreover, the Risks Department distinguishes between actual risk and doubt. Priorities are given to risks with huge losses and high probability so as to avoid them.

Risks Management Responsibilities

- Upgrading the risk data base constantly and continuously.
- Predicting any probable risk.
- Cooperating with executive management to treat risks and mitigate riskiness.
- Preparing plans and risk reports continuously in order to avoid the probable risk or reduce the probability of its occurrence.

Risk Treatment Strategy

- Determining the Company's objectives.
- Clarifying strategies for the Company's objectives.
- Distinguishing risk.
- Assessing risk.
- Identifying methods to avoid and treat risk.

Second: Quantitative Disclosures:

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 practices all types of insurance except for life insurance through its main branch located in Jabal Amman, 3rd circle in Amman and its branches in Deir Ghubar, Tla'a Al Ali and Al Abdali branch in Amman, Aqaba branch in Aqaba and Irbid Branch in Irbid.
Through its personnel consisting of professionals and administrative staff, the Company provides the best service to its clients. Moreover, a plan has been set to protect it against probable risks whether natural or unnatural. This requires that the necessary provisions as well as the necessary technical equipment be made available to maintain the Company's continuity and viability. Hence, the necessity to set the risk management strategy.

Steps in Determining Assumptions

These steps rely on the internal data derived from the quarterly claims reports and the sorting of the executed insurance policies as of the statement of financial position date to identify the outstanding insurance policies. The effective results for the year's accidents are selected for each type of insurance based on the evaluation of the most appropriate mechanism for observing the historical development.

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 and on the year in which underwriting of the other general insurance types was executed as follows:

Total - Motors Insurance:

The accident year	2009 and before	2010	2011	2012	2013	Total
	JD	JD		JD	JD	JD
At the end of the year	5,543,239	4,513,996	5,193,529	6,670,099	7,107,869	
After one year	5,419,481	3,270,098	3,862,500	5,362,145	-	
After two years	5,044,652	2,320,995	3,179,457	-	-	
After three years	4,673,931	1,312,742	-	-	-	
After four years	2,470,239	-	-	-	-	
Present expectation for the accumulated claims	2,470,239	1,312,742	3,179,457	5,362,145	7,107,869	19,432,452
Accumulated claims	1,211,744	904,400	2,213,678	2,828,092	2,139,223	9,297,137
Liability as in the statement of financial position Outstanding claims	1,258,495	408,342	965,779	2,534,053	4,968,646	10,135,315
Reported	1,258,495	408,342	965,779	2,534,053	3,368,646	8,535,315
Unreported	-	-	-	-	1,600,000	1,600,000
Surplus (deficit) in the preliminary estimate for reserve	**3,073,000**	**3,201,254**	**2,014,072**	**1,307,954**	**-**	**9,596,280**

Total – Marine

The accident year	2009 and before	2010	2011	2012	2013	Total
	JD	JD		JD	JD	JD
At the end of the year	914,007	45,200	2,590	27,500	12,000	
After one year	747,878	60,200	7,000	153,250	-	
After two years	746,478	55,200	7,000	-	-	
After three years	758,995	55,200	-	-	-	
After four years	738,994	-	-	-	-	
Present expectation for the accumulated claims	738,994	55,200	7,000	153,250	12,000	966,444
Accumulated payments	674,015	6,683	750	140,097	-	821,545
Liability as in the statement of financial position	64,979	48,517	6,250	13,153	12,000	144,899
Reported	64,979	48,517	6,250	13,153	2,000	134,899
Unreported	-	-	-	-	10,000	10,000
Surplus (deficit) in the preliminary estimate for reserve	**175,013**	**(10,000)**	**(4,410)**	**(125,750)**	**-**	**34,853**

Total - fire and property:

The accident year	2009 and before	2010	2011	2012	2013	Total
	JD	JD		JD	JD	JD
At the end of the year	1,198,083	614,479	144,899	201,015	487,170	
After one year	1,199,619	155,971	233,411	290,034	-	
After two years	1,052,148	76,582	144,376	-	-	
After three years	600,130	57,357	-	-	-	
After Four years	460,393	-	-	-	-	
Present expectation for the accumulated claims	460,393	57,357	144,376	290,034	487,170	1,439,330
Accumulated payments	302,873	3,045	86	5,407	4,850	316,261
Liability as in the statement of financial position Outstanding claims	157,520	54,312	144,290	284,627	482,320	1,123,069
Reported	157,520	54,312	144,290	284,627	279,320	920,069
Unreported	-	-	-	-	203,000	203,000
Surplus (deficit) in the preliminary estimate for reserve	**737,690**	**557,122**	**523**	**(89,019)**	**-**	**1,206,316**

Total – Liability

The accident year	2009 and before	2010	2011	2012	2013	Total
	JD	JD		JD	JD	JD
Year at the end of the	71,509	7,522	30,528	7,412	43,203	
After one year	82,889	16,500	20,700	6,650	-	
After two years	57,100	16,500	26,770	-	-	
After three years	22,600	16,050	-	-	-	
After four years	1,500	-	-	-	-	
Present expectation for the accumulated claims	1,500	16,050	26,770	6,650	43,203	94,173
Accumulated payments	-	3,730	1,428	-	-	5,158
Liability as in the statement of financial position	1,500	12,320	25,342	6,650	43,203	89,015
Reported	1,500	12,320	25,342	6,650	13,203	59,015
Unreported	-	-	-	-	30,000	30,000
Surplus (deficit) in the preliminary estimate for reserve	**70,009**	**(8,528)**	**5,186**	**762**	**-**	**67,429**

Total – Others

The accident year	2009 and before	2010	2011	2012	2013	Total
	JD	JD		JD	JD	JD
Year at the end of the	1,847,456	133,535	458,307	53,023	316,558	
After one year	645,003	432,571	1,053,555	197,508	-	
After two years	454,992	425,551	3,851,143	-	-	
After three years	571,200	428,234	-	-	-	
After four years	368,234	-	-	-	-	
Present expectation for the accumulated claims	368,234	428,234	3,851,143	197,508	316,558	5,161,677
Accumulated payments	40,667	14,785	4,500	50,000	837	110,789
Liability as in the statement of financial position	327,567	413,449	3,846,643	147,508	315,721	5,050,888
Reported	327,567	413,449	3,846,643	147,508	159,721	4,894,888
Unreported	-	-	-	-	156,000	156,000
Surplus (deficit) in the preliminary estimate for reserve	**1,479,222**	**(294,699)**	**(3,392,836)**	**(144,485)**	**-**	**(2,352,798)**

Total – Medical

The accident year	2009 and before	2010	2011	2012	2013	Total
	JD	JD		JD	JD	JD
At the end of the year	-	-	-	-	4,493,289	
After one year	-	-	-	-	-	
After two years	-	-	-	-	-	
After three years	-	-	-	-	-	
After four years	-	-	-	-	-	
Present expectation for the accumulated claims	-	-	-	-	4,493,289	4,493,289
Accumulated payments	-	-	-	-	-	-
Liability as in the statement of financial position	-	-	-	-	4,493,289	4,493,289
Reported	-	-	-	-	1,714,909	1,714,909
Unreported	-	-	-	-	2,778,380	2,778,380
Surplus (deficit) in the preliminary estimate for reserve	**-**	**-**	**-**	**-**	**-**	**-**

3. Insurance Risk Concentrations

Below is a schedule presenting risk concentration based on insurance type and the geographical distributions

Insurance types	2013		2012	
	Net	Gross	Net	Gross
	JD	JD	JD	JD
Motors	19,132,905	21,512,763	13,862,033	16,248,433
Marine	135,856	487,802	215,438	849,625
Airline	-	17,691	-	17,878
Fire and properties	873,228	5,506,643	697,804	3,899,625
Medical	11,652,858	25,879,489	13,627,839	27,090,636
Other	962,393	8,174,012	736,152	4,707,396
Total	**32,757,240**	**61,578,400**	**29,139,266**	**52,813,593**

The Company covers all its activities by reinsurance agreements and excess of loss agreements, in addition to agreements that cover the Company's retention under the name of reinsurance risk agreements. .

The geographical distribution is as follows:

a. According to geographical area:	2013			2012		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
Inside Jordan	82,348,273	42,752,439	2,566,460	68,255,385	34,768,857	2,207,080
Other Middle East Countries	148,314	1,723,196	-	967,619	707	-
Europe	1,106,142	9,401,835	-	1,755,850	9,086,457	-
Asia*	11,458	1,317,242	-	13,958	1,551,822	-
Africa*	-	62,379	-	-	522	-
Total	**83,614,187**	**55,257,091**	**2,566,460**	**70,992,812**	**45,408,365**	**2,207,080**

* Excluding Middle East countries.

b. According to Sector:	2013			2012		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
Public sector	5,113,496	4,356,346	2,566,460	5,387,583	2,370,520	2,207,080
Private Sector:						
Companies and corporations	75,509,362	49,213,605	-	63,333,459	42,229,677	-
Individuals	2,991,329	1,687,140	-	2,271,770	808,168	-
Total	**83,614,187**	**55,257,091**	**2,566,460**	**70,992,812**	**45,408,365**	**2,207,080**

Concentration of the off-statement of financial position assets and liabilities related to reinsurers according to the geographical and sector distribution is as follows:

a. According to geographical area:	2013			2012		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
Inside Jordan	-	61,578,400	-	-	52,813,593	-
Other Middle East Countries	-	-	-	-	-	-
Europe	22,454,968	-	-	20,197,485	-	-
Asia*	10,302,272	-	-	8,941,781	-	-
Africa*	-	-	-	-	-	-
Total	**32,757,240**	**61,578,400**	**-**	**29,139,266**	**52,813,593**	**-**

* Excluding Middle East countries.

Insurance Risk Sensitivity

The table below shows the possible reasonable effect of the premiums price on the statement of income and equity keeping all other affecting variables fixed.

Insurance activities	Change	Effects on the underwriting premiums	Effects on the -current year pre Tax profit	Effects on The equity
	%	JD	JD	JD
Motors	10	2,090,843	1,606,522	1,220,957
Marine	10	226,108	66,191	50,305
Airlines	10	6,590	-	-
Fire	10	772,698	115,274	87,608
Liabilities	10	81,557	5,700	4,332
Medical	10	4,819,019	2,111,215	1,604,523
Others	10	605,138	112,246	85,307
Total		**8,601,953**	**4,017,148**	**3,053,032**

* 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 possible reasonable effects of the claims cost on the statement of income and equity keeping all other affecting valuables fixed.

Insurance activities	Change	Effects on the underwriting premiums	Effects on the -current year pre Tax profit	Effects on The equity
	%	JD	JD	JD
Motors	10	1,373,277	1,300,321	988,244
Marine	10	26,345	11,327	8,609
Airlines	10	-	-	-
Fire	10	134,465	52,954	40,245
Liabilities	10	1,501	8,738	6,641
Medical	10	4,577,137	2,265,242	1,721,584
Others	10	50,576	35,239	26,782
Total		**6,163,301**	**3,673,821**	**2,792,105**

* 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 interest rate risk, credit risk, foreign currency risk and market 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 and currency 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.

2- Interest Rate Risk

Interest rate risks relate to long term bond deposits, development bonds, and other deposits. Moreover, the Company always aim to mitigate these risks through monitoring the changes in interest rates in the market. Interest rate risks relate to fixed deposits at banks and overdraft accounts, as of December 31, 2013. The interest rate on bank deposits ranged from 5.25% TO 6.5% annually on Jordanian Dinar deposits. The interest rate on overdraft accounts ranged from 6.25% annually.

The following table illustrates the sensitivity of exposure to interest rate at the date of the financial statements. Moreover, the analysis below has been prepared assuming that the amount of deposits outstanding at the statement of financial position date was outstanding for the whole financial year. An increase / decrease of 0.5% is used representing the Company's assessment of the probable and acceptable change of interest rates.

	+ 0.5%		- 0.5%	
	For the Year Ended December 31,			
	2013	2012	2013	2012
	JD	JD	JD	JD
Increase (decrease) in profit for the year	137,587	121,847	(137,587)	(121,847)
Shareholders' equity	137,587	121,847	(137,587)	(121,847)

The table below shows the sensitivity of exposure to interest rates on the bonds of Aqapa development company. Since the bond below that amount based on the financial statements was based along the financial period. And is used to increase or decrease by 0.5%, which represents the company's management assessment of the potential change and acceptable interest rates.

	+ 0.5%		- 0.5%	
	For the Year Ended December 31,			
	2013	2012	2013	2012
	JD	JD	JD	JD
Increase (decrease) in profit for the year	6,350	6,350	(6,350)	(6,350)
Shareholders' equity	6,350	6,350	(6,350)	(6,350)

3- Foreign Currencies Risks

Foreign currencies risks are the risks resulting from the fluctuations in the value of the financial instruments due to the changes in the exchange rates of foreign currencies. Most of the Company's assets and liabilities are funded in Jordanian Dinar or US Dollar. The exchange rate of the US Dollar to Jordanian Dinar is fixed at 0.709 and the probability of this risk is very minimal. Consequently, the Company does not hedge for the foreign currencies risk due to the following reasons:

- The US Dollar exchange rate is fixed within a range from 0.708 to 0.710 selling and buying by the Central Bank of Jordan.
- All of the Company's accounts with the various parties including reinsurers are in Jordanian Dinar.
- There are no other foreign currencies denominated accounts. However, the Company monitors the fluctuation in the foreign currency exchange rate continuously.

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.

The following is the net position of the Company's major foreign currencies:

Currency Type	Foreign Currency		Equivalent in Jordanian Dinar	
	2013	2012	2013	2012
US Dollar	3,074,990	971,582	2,180,168	688,852

The Company's management believes that the foreign currencies risks and their impact on the financial statements are immaterial.

4- Liquidity Risk

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 matures of assets with the matures of liabilities and technical commitments.

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

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 month to 1 year	1-3 years	Without maturity	Total
	JD	JD	JD	JD	JD	JD	JD
2013 -							
Liabilities:							
Accounts payables	3,000,000	1,500,000	1,000,000	400,000	153,053	-	6,053,053
Accrued expenses	175,487	-	-	-	-	-	175,487
Reinsurance payables	2,000,000	2,500,000	3,500,000	4,800,000	561,466	-	13,361,466
Other provisions	-	-	-	-	-	823,059	823,059
Income tax provision	617,501	-	711,407	-	-	-	1,328,908
Other payables	194,097	455,750	-	-	-	24,211	674,058
Deferred tax liabilities	-	-	-	-	-	83,820	83,820
Total liabilities	5,987,085	4,455,750	5,211,407	5,200,000	714,519	931,090	22,499,851
Total Assets	**10,610,956**	**27,541,259**	**21,654,418**	**16,017,171**	**6,820,587**	**969,796**	**83,614,187**
2012 -							
Liabilities:							
Accounts payables	800,000	1,000,000	400,000	600,000	91,138	-	2,891,138
Accrued expenses	153,852	-	-	-	-	-	153,852
Reinsurance payables	1,500,000	3,000,000	3,500,000	2,500,000	694,268	-	11,194,268
Other provisions	-	-	-	-	-	667,757	667,757
Income tax provision	561,259	-	537,646	-	-	-	1,098,905
Other payables	117,113	121,919	-	-	-	24,147	263,179
Total liabilities	**3,132,224**	**4,121,919**	**4,437,646**	**3,100,000**	**785,406**	**691,904**	**16,269,099**
Total Assets	**12,925,790**	**24,038,550**	**10,638,920**	**14,836,135**	**8,137,615**	**415,802**	**70,992,812**

5- Share Price Risk

This represents the decrease in the value of shares as a result of the changes in the level of indices of shares subscribed to the investment portfolio of the Company.

The change in the stock exchange index as of the financial statements date was +5% or - 5%. The following is the impact of the change on the Company's shareholders:

2013	Change in Index	Impact on Shareholders' Gain/(Loss)
		JD
Stock Exchange	+5%	157,950
Stock Exchange	-5%	(157,950)

2012	Change in Index	Impact on Shareholders' Gain/(Loss)
		JD
Stock Exchange	+5%	13,829
Stock Exchange	-5%	(13,829)

6. Insurance Risk

This risk arises from the other parties' inability to meet their obligations. These risks arise from the following:
- Reinsurers.
- Policyholders.
- Insurance agents.

To mitigate insurance risks, the Company performs the following:
- Sets credit limits for agents and intermediaries.
- Controls accounts receivable.
- Sets reinsurance policies at other high net worth parties.
- Maintains the Company's cash balances at local and international banks.

7. Reinsurance Risk

As with other Insurance Companies, and for the purpose of reducing the exposure to financial risks that may arise from major insurance claims, the Company, within the normal course of its operations, enters into reinsurance contracts with other parties.

In order to reduce its exposure to major losses arising from the insolvency of reinsurance companies, the Company evaluates the financial position of the reinsurance companies it deals with while monitoring credit concentrations coming from geographical areas and activities or economic components similar to those companies. Moreover, the reinsurance policies issued do not exempt the Company from its obligations towards policyholders. As a result, the Company remains committed to the reinsured claims balance in case the reinsurers are unable to meet their obligations according to the reinsurance contracts.

In order to reduce exposure to the financial risks that may arise from the major insurance claims, the Company enters into reinsurance agreements with other parties.

- The Company applies the contractual and optional insurance agreements terms upon underwriting for all types of insurance regardless of size.

- The Company completes the reinsurance coverage for each risk assigned to it before the issuance of the insurance policy in case of insurance policies exceeding the relative agreements limits.

- As regards major contracts exceeding the proportional agreements limits, the Company, if it decides, assigns what exceeds 30% of any insurance contract to cover the optional reinsurance at a rate of not less than 60% of the assignment to a reinsurance company classified as 1st and 2nd class according to the solvency margin instructions.

- The Company optionally returns 100% of risks excluded from contracts to the reinsurance company (companies) classified as 1st or 2nd class according to the solvency margin instructions.

- The Company follows up on the contractual and optional reinsurances monthly to ensure that the classification is not down graded below 1st and 2nd class.

8. Operating Risks

Operating risks relate to systems downtime or may result from any intentional or unintentional human error. These risks may affect the Company's reputation as they may lead to financial losses. These risks may be avoided through segregating duties, setting the necessary procedures to obtain any information from the Company's systems, and making aware and training the Company's personnel.

9. Legal Risks

These risks relate to the lawsuits against the Company. In order to avoid these risks, the Company setup an independent legal department to follow up on the Company's operations in a manner that complies with the Insurance Law and the Insurance Commission's Regulations.

(31) 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:

	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Bank deposits	27,517,513	-	27,517,513
Financial assets at fair value through profit or loss	3,159,005	-	3,159,005
Financial assets at amortized cost	1,271,000	-	1,271,000
Cash in hands and at bank	4,718,764	-	4,718,764
Cheques under collection	5,732,289	-	5,732,289
Account receivable net	30,210,531	-	30,210,531
Reinsurance receivable net	2,535,551	-	2,535,551
Deferred tax assets	-	1,826,716	1,826,716
Property and equipment	-	5,534,586	5,534,586
Intangible equipment	-	460,041	460,041
Other assets	648,191	-	648,191
Total Assets	**75,792,844**	**7,821,343**	**83,614,187**
Liabilities			
Unearned premiums revenue, net	21,240,338	-	21,240,338
Outstanding claims reserve, net	8,227,832	3,289,070	11,516,902
Accounts payable	5,900,000	153,053	6,053,053
Accrued expenses	175,487	-	175,487
Reinsurance payable	12,800,000	561,466	13,361,466
Other provisions	-	823,059	823,059
Income tax provision	1,328,908	-	1,328,908
Other liabilities	649,847	24,211	674,058
Deferred tax liabilities	-	83,820	83,820
Total Liabilities	**50,322,412**	**4,934,679**	**55,257,091**
Net Assets	**25,470,432**	**2,886,664**	**28,357,096**

2012	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Bank deposits	24,369,485	-	24,369,485
Financial assets at fair value through profit or loss	276,573	-	276,573
Financial assets at amortized cost	-	1,370,000	1,370,000
Cash in hands and at bank	2,261,653	-	2,261,653
Cheques under collection	5,187,013	-	5,187,013
Account receivable net	26,329,793	-	26,329,793
Reinsurance receivable net	3,472,137	-	3,472,137
Deferred tax assets	-	1,360,738	1,360,738
Property and equipment	-	5,750,326	5,750,326
Intangible equipment	-	72,353	72,353
Other assets	542,741	-	542,741
Total Assets	**62,439,395**	**8,553,417**	**70,992,812**
Liabilities			
Unearned premiums revenue, net	19,421,898	-	19,421,898
Outstanding claims reserve, net	6,802,150	2,915,218	9,717,368
Accounts payable	2,800,000	91,138	2,891,138
Accrued expenses	153,852	-	153,852
Reinsurance payable	10,500,000	694,268	11,194,268
Other provisions	-	667,757	667,757
Income tax provision	1,098,905	-	1,098,905
Other liabilities	239,032	24,147	263,179
Total Liabilities	**41,015,837**	**4,392,528**	**45,408,365**
Net Assets	**21,423,558**	**4,160,889**	**25,584,447**

(32) 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. The following tables depict the distribution of gross income and capital expenditure based on the geographical location of the customers and assets.

	Inside Kingdom		Outside Kingdom		Total	
	2013	2012	2013	2012	2013	2012
	JD	JD	JD	JD	JD	JD
Total assets	**83,614,187**	**68,255,385**	**-**	**2,737,427**	**83,614,187**	**70,992,812**
Total revenues	**85,846,650**	**77,585,752**	**172,886**	**-**	**86,019,536**	**77,585,752**
Capital expenditure	387,417	521,085	-	-	387,417	521,085

(33) Management of Capital

The Company's objectives as to the management of capital are as follows:

a. To adhere to the Company's minimum capital issued by the Insurance Law. Moreover, the Company's minimum capital prior to the enforcement of the law according to which it was licensed to practice general insurance in all of its branches, jointly and severally, is JD 4 million.

b. To secure the continuity of the Company, and consequently, the Company's ability to provide the shareholders with good returns on capital.

c. To make available the proper return to shareholders through pricing insurance policies in a manner compatible with the risks associated with those polices.

d. To comply with the Insurance Commission Instructions associated with the solvency margin.

e. The following table shows the summary of the Company's capital and the minimum required capital:

	2013	2012
	JD	JD
Total paid in Capital	20,035,750	18,725,000
Minimum Capital According to the Insurance Law	4,000,000	4,000,000

f. The following table shows the amount contributed to capital by the Company and the net solvency as of December 31, 2013 and 2012:

	2013	2012
	JD	JD
Core Capital		
Paid inCapital	20,035,750	18,725,000
Statutory reserve	3,330,917	2,790,322
Profit for the year net of appropriations	3,542,804	2,897,102
Retained earnings	1,447,625	1,172,023
Total Primary Capital	28,357,096	25,584,447
Supplementary capital:		
Cumulative change in fair value	-	-
Total Supplementary Capital	-	-
Total regulatory capital (a)	28,357,096	25,584,447
Total required capital (b)	17,186,355	15,415,338
Solvency margin (a) / (b)	165%	165,9%

In the opinion of the Company's management, the regulatory capital is compatible with and adequate to the size of capital and nature of risks to which the Company is exposed.

(34) Lawsuits Against the Company

There are lawsuits filed against the Company claiming compensation for a total amount of JD 2,304,156 as of December 31, 2013. 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.

(35) Contingent Liabilities

The Company is has bank guarantees of JD 2,566,460 as of December 31, 2013 against cash margins of JD 256,646.

(36) Fair Value Hierarchy

The following table analyzes the financial instruments recorded at fair value based on the valuation method which is defined at different levels as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets;
Level 2: Information not included in level (1) quoted prices monitored for the asset or liability, either directly (e.g. prices) or indirectly (i.e. derived from prices);
Level 3: information on the asset or liability not based on those observed from the market (unobservable inputs).

	Level (1)	Level (2)	Level (3)	Total
December 31, 2012	**JD**	**JD**	**JD**	**JD**
Financial assets at fair value through profit or loss	3,159,005	-	-	3,159,005
Total financial assets	3,159,005	-	-	3,159,005

	Level (1)	Level (2)	Level (3)	Total
December 31, 2012	**JD**	**JD**	**JD**	**JD**
Financial assets at fair value through the profit of loss	276,573	-	-	276,573
Total financial assets	276,573	-	-	276,573

(37) 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 Group intends to adopt these standards, if applicable, when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company's, since none of the entities in the Company's would qualify to be an investment entity under IFRS 10.