From Origin to Excellence

Arab Orient Insurance | gig GULF INSURANCE GROUP

The 19th Annual Report 2016

The 19th Annual Report 2016

For The year Ended December 31,2016

Arab Orient Insurance Company

(A Public Limited Shareholding Company)
Amman-Jordan

His Majesty King Abdullah II

Crown Prince Hussein Bin Abdullah II

Sheikh Sabah Al-Ahmad Al-Jaber Al- Sabah

Prince of Kuwait

Table of Contents

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
Mr. Mustafa Melhem

Deputy CEO – Secretary of Board of Directors
Mr. Khalil Khmous

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 19th annual report on the results and achievements of our company's activities in addition to the financial statements for the year ended 31/12/2016.

Year 2016, from the very beginning and just as the year before, was by all means an exceptional year given the events that have devastated the Arab Region in general. The events were expected by all 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 of the 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 medical 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 2016. The massive losses of the insurance sector during the year have reached their fullest extent threatening the insurance sector. However, the company had achieved a substantial growth in premium in most of the insurance branches.

Notwithstanding the events 2016 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 "A.M. Best" by affirming the financial strength rating of (B++) as well as the credit rating of (bbb+) with stable outlook for both ratings.

Dear Shareholders,

The global reinsurance markets are still tight in terms of treaty renewal for 2017, and 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 improvements of loss ratios to contribute in the performance of these companies due to the drop of returns on investment in international markets.

Despite the above tightening, the parent company has, for the seventh consecutive year, decided to organize a unified 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 2017 Hannover Re. has assumed leadership of the Master Treaty. Hannover Re. is an international reinsurance company. The Treaty has involved more than 23 reinsurance companies of excellent rating in accordance with the instructions of the insurance commission in order to guarantee durability of this agreement.

Dear Shareholders,

In continuation of what had been the case in the past year, year 2016 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 renewal rates of 86%.

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 presenting outstanding services rapidly and accurately. The company has managed to continue in service of the largest insurance portfolio of companies in the Kingdom with a clientele of more than 2,600 companies. Furthermore, in the medical insurance field, we provide service to more than 286 thousand subscribers with first class medical insurance services. They represent more than 910 companies and corporations from various economic sectors. An integrated team of doctors, pharmacists and nurses counting more than 90 staff members provide the medical services to the above companies around the clock. The medical team is strongly supported by account managers in order to guarantee rapid provision of best personal services and at all times.

The company shall continue committed to its service criteria. Such criteria are based on fast payment of claims, transparency in dealing with the clients and highest level of credibility and moral and technical commitment. It will continue so during 2017 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 and 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 2016 will be based on developing its control systems and protection of its information and data. 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 underwriting, profitability and, most significantly, the maximization of the return on shareholders' equity.

Dear Shareholders,

We still believe that the great threat facing the insurance companies is the negative results of the compulsory motor 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, in coordination with the insurance commission, we are working on the way to the goal of price floatation during 2017, or to increase prices by at least 20%.

For the first time in the company's history, medical insurance suffered significant losses amounted to JD 1.2 million. This was mainly due to recording a premium deficiency reserve of JD 600,000 upon the external actuary's recommendation. In addition to that, medical net paid claims reached JD 18 million compared to JD 14 million in the previous year 2015.

Dear Shareholders,

With the same consistency and perseverance, our company once again has overtaken the target figures in terms of premium. The growth rate of the underwriting premium reached 7.34%, and reached the figure JD 110.2 million to remain the largest company in the Kingdom in terms of its market share which was in 2016 more than 19%. On the other hand, the company's net profit after tax reached JD 1.2 million while the company assets grew to become JD 110.5 million.

Chairman of the Board of Directors

Naser Ahmad Lozi

Board of Directors Report:

Dear Shareholders,

The results of the company's activities during 2016 have been as follows:

Insurance Premiums

Total insurance premium during the year 2016 were JD110,205,059 compared to JD 102,671,190 in 2015, with total increase of 7.34%, distributed as follows:

- Marine Insurance: Total marine insurance premium during the year 2016 was JD 2,769,790 compared to JD 2,739,031 in 2015, with total increase of 1.12%.
- Fire Insurance: Total fire insurance premium during the year 2016 reached JD 10,584,528 compared to JD 8,931,794 in 2015, with total increase of 18.50%.
- Liability, Aviation and Other Insurance Branches: Total premium of liability, aviation and other insurance branches during the year 2016 was JD 5,542,747 compared to JD 7,043,218 in 2015, with total decrease of 21.30%.
- Motor Insurance: Total motor insurance premium during the year 2016 was JD 24,412,908 compared to JD 24,795,084 in 2015, with total decrease of 1.54%.
- Medical Insurance: Total medical insurance premium during the year 2016 was JD 66,895,086 compared to JD59,162,063 in 2015, with total increase of 13.07%.

Insurance Claims

Total paid claims during the year 2016 were JD 86,624,780 compared to JD71,758,998 in 2015, with total increase of 20.72% distributed as follows:

- Marine Insurance: Total marine paid claims during the year 2016 were JD 276,729 compared to JD 576,538 in 2015, with total decrease of 52.00%.
- Fire Insurance: Total fire paid claims during the year 2016 were JD 2,648,928 compared to JD5,317,718 in 2015, with total decrease of 50.19%.
- Liability, Aviation and Other Insurance Branches: Total paid claims for liability, aviation and other insurance branches during the year 2016 were JD 1,976,736 compared to JD 1,905,347 in 2015, with total increase of 3.75%.
- Motor Insurance: Total motor paid claims during the year 2016 were JD 19,700,315 compared to JD 19,107,193 in 2015, with total increase of 3.10%.
- Medical Insurance: Total medical paid claims during the year 2016 were JD 62,022,072 compared to JD 44,852,202 in 2015, with total increase of 38.28%.

Reserves

- The net unearned premiums reserve at the end of 2016 was JD 16,651,359 compared to JD 18,802,875 at the end of 2015, with total decrease of 11.44%.
- The net outstanding claims reserve at the end of 2016 was JD19,574,833 compared to JD 18,800,756 at the end of 2015, with total increase of 4.12%.
- Net premium deficiency reserve at the end of 2016 was JD 600,000.

Investments

- The company achieved in 2016 an income of JD 1,203,605 compared to JD 1,370,967 in 2015 as interest on its deposits at banks, with total decrease of 12.21%.
- Financial investments as at 31/12/2016 reached JD 7,575,412; which consisted of JD 6,573,693 financial assets at fair value through profit or loss and JD 1,001,719 financial assets at amortized cost. Deposits at banks were JD 34,766,739 as at 31/12/2016, 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 2016 were JD 4,389,108 compared to JD 9,738,898 in 2015 with total decrease of 54.93%, distributed as follows:

- Marine Insurance: Total marine profits during the year 2016 were JD 371,937 compared to JD 356,361 in 2015, with total increase of 4.37%.
- Fire Insurance: Total fire profits during the year 2016 were JD 680,640 compared to JD 27,955 in 2015, with total increase of 2334.77%.
- Liability, Aviation and Other Insurance: Total liability, aviation and other insurance profits during the year 2016 were JD 893,488 compared to JD 944,650 in 2015, with total decrease of 5.42%.
- Motor Insurance: Total motor profits during the year 2016 were JD 3,671,749 compared to JD 2,982,053 in 2015, with total increase of 23.13%.
- Medical Insurance: Total medical losses during the year 2016 were JD 1,228,706 compared with profits of JD5,427,879 in 2015.
- Total profits before tax and provisions for the year 2016 were JD 1,446,279 compared to JD5,670,764 in 2015, with total decrease of 74.50%.
- Total net profits after tax and provisions for the year 2016 were JD 1,204,560 compared to JD 4,375,945 in 2015, with total decrease of 72.47%.
- The percentage of the net profits from the paid up capital for the year 2016 were 5.62% compared to 20.41% in 2015.

Future Plan

- Continue with diversifying the Company's portfolio as well as introducing new and innovative tailor-made products and services, which will provide the company with a wider base of small to medium profitable accounts.
- Improve our claims management and control procedures in order to maintain the technical quality standards.
- Continue to maintain the bancassurance project in collaboration with Jordan Kuwait Bank and other banks to ensure the achievement of the desired results of this project.
- Continue with staff training in order to upgrade their technical and sales skills.
- Concentrate on cross selling as an effective and low cost tool to increase the Company's premium in the general insurance.
- Intensify sales efforts and focus on profitable accounts, with the aim of improving the overall technical results for the Company.
- Work on the development of Retail Department and determine the production target of JD 12 million for this department during the year 2017.
- Provide the highest and best level of customer service in the local market.

Board of Directors Recommendations

1. Address the outcomes of the previous general assembly meeting which was held on 25/04/2016.
2. Listening to the Auditors' report.
3. Discuss and ratify the Board of Directors' report and the Company's future plan.
4. Discuss the Company's accounts and the financial statements as of 31/12/2016 and approve it.
5. Grant release of responsibilities to the chairman and members of the Board of Directors for the year ended 31/12/2016.
6. Recommend to the Ordinary General Assembly to retain 2016 net profit to the coming year 2017.
7. Elect the Auditors for the year 2017 and authorize the Board of Directors to determine their fees.
8. Elect new members of the Board of Directors' for the upcoming four years.
9. 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 clients for their support and confidence in our company and our services. I also would like to thank our esteemed shareholders for their confidence in, and 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 extend my thanks to all parties that worked with us within the framework of outstanding strategic partnerships, foremost of which is the Insurance department and Companies Control Department – Ministry of Industry and Trade, 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 2016 in a way to meet your aspirations and increase the value of 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. Mustafa Melhem
Job Title: CEO
Education: BS
Years of Experience: 19 years

Mr. Khalil Khmous
Job Title: Deputy CEO & Secretary of the Board of Directors
Education: BS in Accounting & Business administration
Years of Experience: 41 years

Eng. Yazan Khasawneh
Job Title: Senior Director
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: 19 years

Mr. Rami Dababneh
Job Title: Director/ Key Accounts, General Claims and Motor Claims Departments
Education: BS, Cert. ACII
Years of Experience: 15 years

Mr. Saad Farah
Job Title: Director/ Finance
Education: BS, CMA, CFM
Years of Experience: 16 years

Mr. Mohammad Suboh
Job Title: Deputy Director/ Branches, Bancassurance and Indirect Business
Education: BS
Years of Experience: 20 years

Mr. Suleiman Dandis
Job Title: Deputy Director/ Medical Insurance Department
Education: BS
Years of Experience: 16 years

Mr. Khaled Ghanem
Job Title: Deputy Director/ Marine, Aviation and Energy Insurance Department
Education: BS
Years of Experience: 22 years

Mr. Ibrahim Qadadeh
Job Title: Deputy Director/ Business Development Department
Education: BS
Years of Experience: 9 years

Mr. Adnan Abu-AlHaija
Job Title: Deputy Director/ Risk Management Department
Education: BS
Years of Experience: 18 years

Eng. Majed Sha'ban
Job Title: Deputy Director/ General Claims and Motor Claims Departments
Education: BS
Years of Experience: 28 years

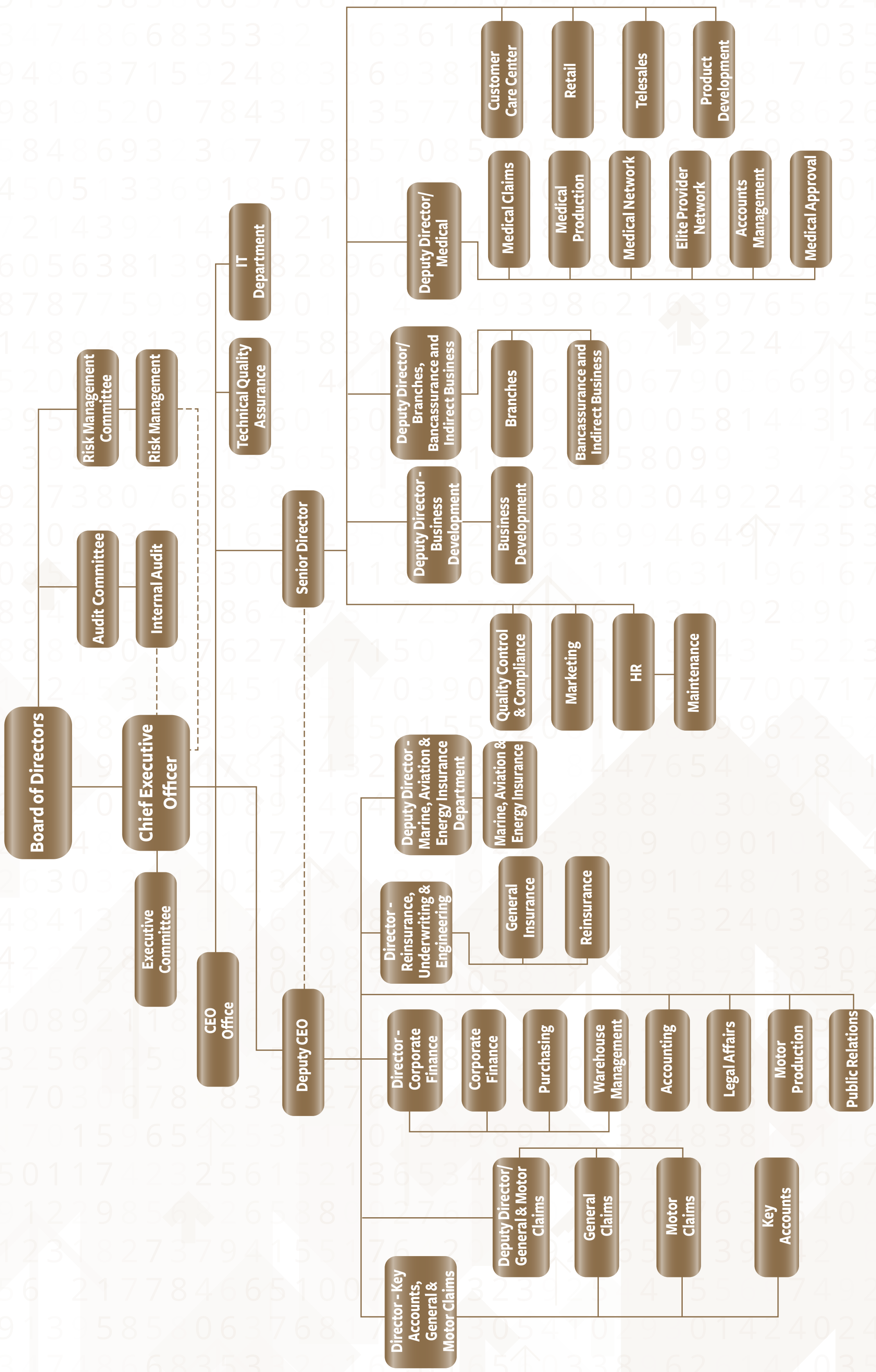
Mr. Wael Shehadeh
Job Title: Senior Manager/ Accounting Department
Education: BS
Years of Experience: 24 years

Mrs. Abeer Dawoud
Job Title: Senior Manager/ Underwriting and Engineering Department
Education: BS, Insurance Diploma - BIBF, Advanced Insurance Diploma - BIBF
Years of Experience: 14 years

Mr. Ahmad Ghanem
Job Title: Senior Operation Manager - Medical Department
Education: BS
Years of Experience: 21 years

Mr. Mohammad Qudah
Job Title: Senior Manager - Business development Department
Education: BS
Years of Experience: 9 years

Organizational Structure:



Arab Orient Insurance

Public Shareholding Company

Financial Statements

31 December 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arab Orient Insurance Company Public Shareholding Company
Amman- Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab Orient Insurance Company a public shareholding company (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

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

1. Revenue recognition

Revenue is an important determinant of the Company's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut- off date. The total written premium is JD 110,205,059 for the year ended 31 December 2016.

How the Key Audit Matter was addressed in the audit

Our audit procedures included evaluating the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Company's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by lines of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Company's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period.

Refer to note (2) to the financial statements.

2. Estimates used in calculation and completeness of insurance liabilities

The Company has significant insurance liabilities of JD 36,826,192 representing 48% of the Company's total liabilities. The measurement of insurance liabilities (outstanding claims, unearned premium revenue and premium deficiency reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.

How the Key Audit Matter was addressed in the audit

Our audit procedures included, amongst others, assessing the Company's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Company. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Company and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities.

Refer to note (2) to the financial statements for more details about this matter.

3. Provision for doubtful accounts receivable

The determination as to whether accounts receivable are collectable involves high level of management judgment. The completeness of allowance for doubtful accounts receivable may have a significant impact on the Company's profit.

Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

How the Key Audit Matter was addressed in the audit

We tested accounts receivable where no provision was recognized to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates. Also, the accuracy of the receivables aging report was tested through agreeing a sample to the related supporting documents. We selected a sample of accounts receivable balances where a provision for impairment of accounts receivables was recognized and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

Refer to note (7, 8, 9) to the financial statements for more details about this matter.

Other information included in the Company's 2016 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- For company audits Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

Amman – Jordan
26 February 2017

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016	2015
		JD	JD
Assets			
Bank deposits	3	34,766,739	35,350,230
Financial assets at fair value through profit or loss	4	6,573,693	6,509,404
Financial assets at amortized cost	5	1,001,719	1,000
Total Investments		**42,342,151**	**41,860,634**
Cash in hand and at banks	6	1,425,299	3,413,632
Checks under collection	7	6,038,339	5,007,084
Accounts receivable, net	8	45,105,374	39,259,579
Reinsurance receivable	9	5,694,692	3,865,505
Deferred income tax assets	10	3,192,956	2,796,989
Property and equipment, net	11	5,102,732	5,297,893
Intangible assets	12	493,224	581,278
Other assets	13	1,118,674	1,074,944
Total Assets		**110,513,441**	**103,157,538**
Liabilities and Equity			
Liabilities –			
Technical Reserves			
Unearned premium reserve, net		16,651,359	18,802,875
Premium deficiency reserve, net		600,000	-
Outstanding claims reserve, net		19,574,833	18,800,756
Total Technical Reserves		**36,826,192**	**37,603,631**
Other liabilities			
Accounts payable	14	14,172,217	9,813,842
Accrued expenses		224,484	270,930
Reinsurance payables	15	24,002,398	18,470,217
Other provisions	16	974,343	1,002,607
Income tax provision	10	76,545	1,357,805
Other liabilities	17	426,492	417,544
Deferred tax liabilities	10	-	6,883
Total Liabilities		**76,702,671**	**68,943,459**
Equity –			
Paid in capital	18	21,438,252	21,438,252
Statutory reserve	19	4,683,051	4,538,423
Retained earnings	20	7,689,467	8,237,404
Total Shareholders' Equity		**33,810,770**	**34,214,079**
Total Liabilities and Shareholders' Equity		**110,513,441**	**103,157,538**

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

Chairman of the Board of Directors

Chief Executive Officer

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
Revenue –			
Gross written premium		110,205,059	102,671,190
Less: reinsurance share		(73,049,938)	(56,598,851)
Net written premium		37,155,121	46,072,339
Net change in unearned premium reserve		2,151,516	358,994
Premium deficiency reserve		(600,000)	-
Net earned premium		38,706,637	46,431,333
Commissions income		11,007,210	8,152,770
Insurance policies issuance fees		3,507,230	4,241,292
Interest income	21	1,229,836	1,370,967
Loss from financial assets and investments	22	348,959	(453,018)
Total revenues		**54,799,872**	**59,743,344**
Claims and related expenses			
Paid claims		86,624,780	71,758,998
Less: Recoveries		(3,622,265)	(3,291,731)
Less: Reinsurance share		(47,499,909)	(37,072,333)
Paid claims, net		35,502,606	31,394,934
Net change in claims reserve		774,077	3,764,357
Allocated employees' expenses	23	5,404,674	6,547,824
Allocated general and administrative expenses	24	3,754,565	3,803,815
Excess of loss premium		733,478	990,292
Policies acquisition costs		2,465,009	2,411,648
Other expenses		197,560	173,627
Net Claims		**48,831,969**	**49,086,497**
Unallocated employees' expenses	23	1,351,169	1,636,956
Depreciation and amortization	11,12	648,299	655,692
Unallocated general and administrative expenses	24	938,641	950,954
Allowance for doubtful debts	9,8	1,550,000	1,625,000
(Gain) loss from sale of property and equipment		(1,485)	13,121
Write off doubtful accounts		-	69,360
Other expenses	25	35,000	35,000
Total expenses		**4,521,624**	**4,986,083**
Profit for the year before tax		**1,446,279**	**5,670,764**
Income tax expenses	10	(241,719)	(1,294,819)
Profit for the year		**1,204,560**	**4,375,945**
		Fils/JD	Fils/JD
Basic and diluted earnings per share	26	0.056	0.204

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

Chairman of the Board of Directors

Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	JD	JD
Profit for the year	1,204,560	4,375,945
Add: other comprehensive income	-	-
Total comprehensive income for the year	1,204,560	4,375,945

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 EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Paid in capital	Statutory reserve	Retained earnings **		Total
			Unrealized	Realized	
	JD	JD	JD	JD	JD
2016 -					
Balance at 1 January 2016	21,438,252	4,538,423	849,278	7,388,126	34,214,079
Total comprehensive income	-	-	-	1,204,560	1,204,560
Dividends (note 18)*	-	-	-	(1,607,869)	(1,607,869)
Transfer to reserve	-	144,628	-	(144,628)	-
Balance at 31 December 2016	**21,438,252**	**4,683,051**	**849,278**	**6,840,189**	**33,810,770**
2015 -					
Balance at 1 January 2015	21,438,252	3,971,347	849,278	5,723,082	31,981,959
Total comprehensive income	-	-	-	4,375,945	4,375,945
Dividends*	-	-	-	(2,143,825)	(2,143,825)
Transfer to reserve	-	567,076	-	(567,076)	-
Balance at 31 December 2015	**21,438,252**	**4,538,423**	**849,278**	**7,388,126**	**34,214,079**

*On 27 April 2016, the General Assembly of Shareholders approved the board of directors' recommendation to distribute cash dividends of 7.5% of the paid capital as of 31 December 2015 with an amount of JD 1,607,869 facing a 10% of the paid in capital as of 31 December 2014.

**Retained earnings include an amount of JD 3,192,956 as of 31 December 2016 (2015: JD 2,796,989), representing deferred tax assets that cannot be distributed according to the securities commission instructions.

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

Chairman of the Board of Directors

Chief Executive Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
Cash Flows from Operating Activities			
Profit for the year before tax adjustments		1,446,279	5,670,764
Adjustment for non-cash items			
Depreciation and amortization	11, 12	648,299	655,692
Allowance for doubtful debt		1,550,000	1,625,000
Net change in fair value of financial assets at fair value through profit or loss		68,273	820,597
Gain on sale of financial assets at fair value through profit or loss		(9,854)	-
Write off doubtful accounts		-	69,360
Loss (Gain) from sale of property and equipment		(1,485)	13,121
End of service indemnity provision	16	189,674	417,521
Net change in outstanding claims reserve		774,077	3,764,357
Net change in unearned premium reserve		(2,151,516)	(358,994)
Net change in premium deficiency reserve		600,000	-
Cash flows from operating activities before changes in working capital		3,113,747	12,677,418
Checks under collection		(1,031,255)	982,618
Accounts receivable		(7,395,795)	(10,330,144)
Reinsurers' receivable		(1,829,187)	(1,961,589)
Other assets		(43,730)	(35,477)
Accounts payable		4,358,375	3,457,099
Accrued expenses		(46,446)	36,448
Reinsurers' payable		5,532,181	484,102
End of service indemnity paid	16	(217,938)	(566,933)
Other payables		8,948	(26,402)
Net cash flows from operating activities before tax		**2,448,900**	**4,717,140**
Income tax paid	10	(1,925,829)	(2,005,327)
Net cash flows from operating activities		**523,071**	**2,711,813**
Cash Flows from Investing Activities			
Deposits		583,491	(1,693,715)
(Purchase) of financial assets at fair value through profit or loss		(487,438)	(2,163,325)
(Purchase) of intangible assets		(54,858)	(117,732)
Proceeds from sale of financial assets at fair value through profit or loss		364,730	-
(Purchase) of financial assets at amortized cost		(1,000,719)	-
(Purchase) of property and equipment		(311,242)	(541,876)
(Payment) on purchase of Intangible assets		-	(16,265)
Proceeds from sale of property and equipment		2,501	32,094
Net cash flows used in investing activities		**(903,535)**	**(4,500,819)**
Cash Flows from Financing Activities			
Cash dividends		(1,607,869)	(2,143,825)
Net cash flow used in financing activities		**(1,607,869)**	**(2,143,825)**
Net decrease in cash and cash equivalent		**(1,988,333)**	**(3,932,831)**
Cash and cash equivalents at beginning of the year		3,413,632	7,346,463
Cash and cash equivalents at the end of the year	27	**1,425,299**	**3,413,632**

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

Chairman of the Board of Directors

Chief Executive Officer

STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2016

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium:																
Direct insurance	23,192,794	23,446,748	2,731,986	2,637,247	9,208	5,426	8,067,065	6,824,923	872,503	1,039,596	66,895,086	59,162,063	4,251,170	4,725,888	106,019,812	97,841,891
Reinsurance inward business	1,220,114	1,348,336	37,804	101,784	45,609	53,755	2,517,463	2,106,871	167,954	209,774	-	-	196,303	1,008,779	4,185,247	4,829,299
Total Premium	24,412,908	24,795,084	2,769,790	2,739,031	54,817	59,181	10,584,528	8,931,794	1,040,457	1,249,370	66,895,086	59,162,063	4,447,473	5,734,667	110,205,059	102,671,190
Less:																
Local reinsurance share	1,567,416	1,671,248	39,923	102,758	45,609	53,755	2,451,718	1,477,403	166,264	207,633	-	-	465,317	1,066,790	4,736,247	4,579,587
Foreign reinsurance share	248,382	436,029	2,317,904	2,060,331	9,208	5,426	7,009,673	6,409,672	704,412	961,233	54,850,757	38,686,260	3,173,355	3,460,313	68,313,691	52,019,264
Net Written Premium	**22,597,110**	**22,687,807**	**411,963**	**575,942**	**-**	**-**	**1,123,137**	**1,044,719**	**169,781**	**80,504**	**12,044,329**	**20,475,803**	**808,801**	**1,207,564**	**37,155,121**	**46,072,339**
Add:																
Balance at the beginning of the year																
Unearned premium reserve	11,000,914	11,012,453	902,307	537,219	10,212	17,333	5,695,233	5,819,796	656,425	613,389	24,815,132	24,052,823	2,288,407	3,150,495	45,368,630	45,203,508
Less: reinsurance share	716,399	628,760	762,945	420,715	10,212	17,333	5,235,337	5,339,847	570,795	528,724	17,333,756	16,380,839	1,936,311	2,725,421	26,565,755	26,041,639
Net Unearned Premium Reserve	**10,284,515**	**10,383,693**	**139,362**	**116,504**	**-**	**-**	**459,896**	**479,949**	**85,630**	**84,665**	**7,481,376**	**7,671,984**	**352,096**	**425,074**	**18,802,875**	**19,161,869**
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:																
Balance at year end																
Unearned premium reserve	10,578,885	11,000,914	1,048,368	902,307	11,495	10,212	6,453,742	5,695,233	478,225	656,425	26,679,131	24,815,132	1,556,356	2,288,407	46,806,202	45,368,630
Less : Reinsurance share	824,107	716,399	962,102	762,945	11,495	10,212	6,039,154	5,235,337	409,182	570,795	20,645,653	17,333,756	1,263,150	1,936,311	30,154,843	26,565,755
Net Unearned Premium Reserve	**9,754,778**	**10,284,515**	**86,266**	**139,362**	**-**	**-**	**414,588**	**459,896**	**69,043**	**85,630**	**6,033,478**	**7,481,376**	**293,206**	**352,096**	**16,651,359**	**18,802,875**
Premium deficiency reserve	-	-	-	-		-	-	-	-	-	600,000	-	-	-	600,000	-
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	600,000	-	-	-	600,000	-
Net Earned Revenue from Written Premium	**23,126,847**	**22,786,985**	**465,059**	**553,084**	**-**	**-**	**1,168,445**	**1,064,772**	**186,368**	**79,539**	**12,892,227**	**20,666,411**	**867,691**	**1,280,542**	**38,706,637**	**46,431,333**

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 2016

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	19,700,315	19,107,193	276,729	576,538	-	-	2,648,928	5,317,718	64,941	90,608	62,022,072	44,852,202	1,911,795	1,814,739	86,624,780	71,758,998
Less:																
Recoveries	3,450,321	3,134,091	-	-	-	-	128,249	95,434	10,281	2,725	-	-	33,414	59,481	3,622,265	3,291,731
Local reinsurance share	147,300	390,475	-	-	-	-	230,254	956,777	448	4,666	-	-	59,256	280,249	437,258	1,632,167
Foreign reinsurance share	71,166	57,358	175,620	327,020	-	-	1,877,207	3,875,309	9,558	21,516	43,397,387	30,086,234	1,531,713	1,072,729	47,062,651	35,440,166
Net Paid Claims	**16,031,528**	**15,525,269**	**101,109**	**249,518**	**-**	**-**	**413,218**	**390,198**	**44,654**	**61,701**	**18,624,685**	**14,765,968**	**287,412**	**402,280**	**35,502,606**	**31,394,934**
Add:																
Outstanding Claims Reserve at year end																
Reported	13,634,307	12,363,377	161,363	199,723	-	-	9,716,371	2,214,841	227,533	184,274	8,580,203	6,187,356	1,995,896	3,147,513	34,315,673	24,297,084
Unreported	3,000,000	3,200,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,707,987	4,271,098	170,000	170,000	8,127,987	7,891,098
less: reinsurance share from reported claims	958,800	880,198	111,573	112,522	-	-	9,168,983	1,784,169	109,820	173,460	6,510,537	4,148,360	1,553,524	2,661,406	18,413,237	9,760,115
less: reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	3,572,354	2,863,591	-	-	3,572,354	2,863,591
Less: recoveries	883,236	763,720	-	-	-	-	-	-	-	-	-	-	-	-	883,236	763,720
Net Outstanding Claims Reserve at year end	**14,792,271**	**13,919,459**	**69,790**	**107,201**	**-**	**-**	**747,388**	**630,672**	**147,713**	**40,814**	**3,205,299**	**3,446,503**	**612,372**	**656,107**	**19,574,833**	**18,800,756**
Less:																
Outstanding Claims Reserve at the beginning of the year																
Reported	12,363,377	10,180,029	199,723	108,450	-	-	2,214,841	6,700,082	184,274	156,541	6,187,356	2,176,631	3,147,513	3,713,785	24,297,084	23,035,518
Unreported	3,200,000	3,200,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,271,098	3,662,689	170,000	170,000	7,891,098	7,282,689
less: reinsurance share from reported	880,198	944,718	112,522	73,066	-	-	1,784,169	6,460,195	173,460	138,400	4,148,360	1,435,196	2,661,406	3,152,920	9,760,115	12,204,495
less: reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	2,863,591	2,415,051	-	-	2,863,591	2,415,051
Less: recoveries	763,720	662,262	-	-	-	-	-	-	-	-	-	-	-	-	763,720	662,262
Net Outstanding Claims Reserve at the beginning of the year	**13,919,459**	**11,773,049**	**107,201**	**55,384**	**-**	**-**	**630,672**	**439,887**	**40,814**	**48,141**	**3,446,503**	**1,989,073**	**656,107**	**730,865**	**18,800,756**	**15,036,399**
Net Claims Cost	**16,904,340**	**17,671,679**	**63,698**	**301,335**	**-**	**-**	**529,934**	**580,983**	**151,553**	**54,374**	**18,383,481**	**16,223,398**	**243,677**	**327,522**	**36,276,683**	**35,159,291**

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

Chairman of the Board of Directors

Chief Executive Officer

STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2016

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premium	**23,126,847**	**22,786,985**	**465,059**	**553,084**	**-**	**-**	**1,168,445**	**1,064,772**	**186,368**	**79,539**	**12,892,227**	**20,666,411**	**867,691**	**1,280,542**	**38,706,637**	**46,431,333**
Less:																
Net claims cost	**16,904,340**	**17,671,679**	**63,698**	**301,335**	**-**	**-**	**529,934**	**580,983**	**151,553**	**54,374**	**18,383,481**	**16,223,398**	**243,677**	**327,522**	**36,276,683**	**35,159,291**
	6,222,507	5,115,306	401,361	251,749	-	-	638,511	483,789	34,815	25,165	(5,491,254)	4,443,013	624,017	953,020	2,429,954	11,272,042
Add:																
Commissions received	70,000	119,461	457,559	560,512	962	649	1,189,457	965,144	144,591	170,847	8,332,512	5,671,770	812,129	664,387	11,007,210	8,152,770
Insurance policies issuance fees	543,683	1,443,982	84,664	63,634	785	666	228,168	212,154	28,844	32,345	2,479,672	2,291,925	141,414	196,586	3,507,230	4,241,292
Total revenue	**6,836,190**	**6,678,749**	**943,584**	**875,895**	**1,747**	**1,315**	**2,056,136**	**1,661,087**	**208,250**	**228,357**	**5,320,930**	**12,406,708**	**1,577,557**	**1,813,993**	**16,944,394**	**23,666,104**
Less:																
Commissions paid	848,365	953,012	262,252	195,477	-	-	226,055	160,184	18,799	16,463	811,991	856,680	297,547	229,832	2,465,009	2,411,648
Excess of loss premium	287,098	243,764	75,235	44,495	-	-	257,032	564,251	-	-	-	-	114,113	137,782	733,478	990,292
Allocated general and administrative expenses	2,028,978	2,499,920	230,200	276,158	4,556	5,967	879,689	900,532	86,473	125,966	5,559,709	5,964,909	369,634	578,187	9,159,239	10,351,639
Other expenses	-	-	3,960	3,404	-	-	12,720	8,165	-	-	177,936	157,240	2,944	4,818	197,560	173,627
Total Expenses	**3,164,441**	**3,696,696**	**571,647**	**519,534**	**4,556**	**5,967**	**1,375,496**	**1,633,132**	**105,272**	**142,429**	**6,549,636**	**6,978,829**	**784,238**	**950,619**	**12,555,286**	**13,927,206**
Underwriting profit (loss)	**3,671,749**	**2,982,053**	**371,937**	**356,361**	**(2,809)**	**(4,652)**	**680,640**	**27,955**	**102,978**	**85,928**	**(1,228,706)**	**5,427,879**	**793,319**	**863,374**	**4,389,108**	**9,738,898**

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

Chairman of the Board of Directors

Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(1) General

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

The Company is engaged in insurance business against fire, accidents, marine and 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, Abdali and Abdali - Boulevard in Amman, a branch in Aqaba City and a branch in Irbid city.

The Company is 90.45% owned by Gulf Insurance Company.

The number of the Company's employees was 346 as of 31 December 2016 (2015: 310).

The financial statements for the year 2016 were approved by the Board of Directors in its meeting No. (1) 14 February 2017.

(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 used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except that the Company has implemented the following changes starting from January 1, 2016.

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods which started from 1 January 2016.

Accounting policies

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 is measured based on the reports used by the top management of the Company.

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

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 are 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 expected 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 amortized cost is measured as financial assets at fair value.

Financial assets at fair value through profit or loss, represents investment in equity instruments and debt instrument for the purpose of trading, or the purpose of holding it is to make gains on short term fluctuations in 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 are 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 in a variety of inward and outward reinsurance operations with other insurance and reinsurance companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties do not eliminate the Company's liability towards policyholders, where in the case the reinsurance fails to cover its share of total liability, the Company bears the total loss, therefore the Company provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Company's share of total liability for each claim.

Impairment in Reinsurance Assets

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

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

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

Property and equipment

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

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

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 is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 Reserves

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

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

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

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

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 deferred tax assets to be utilized.

Offsetting

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

Revenue recognition

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

B- Dividend and interest revenue
The Dividends revenues are realized when the shareholder has the right to receive the payment once declared by the General Assembly of Shareholders.

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

Expenditures recognition

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

Insurance compensations

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

Insurance compensations payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of financial statements but not settled yet.

Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

Recoverable scraped value is considered when recording the outstanding claim amount

General and administrative expenses

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

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:

	2016		2015
	Deposits matured between 6 months - 1 Year	Total	Total
	JD	JD	JD
Inside Jordan	34,766,739	34,766,739	35,350,230
Total	**34,766,739**	**34,766,739**	**35,350,230**

The annual interest rate on the deposits in Jordanian Dinar ranged between 3% to 3.9% during the year 2016 and between 3% to 4% during the year 2015.

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, 2016 and 31 December 2015.

Below is the distribution of the Company's deposits:

	2016	2015
	JD	JD
Jordan Kuwait Bank	5,822,562	7,346,062
Jordan Arab Investment Bank	-	3,049,333
Capital Bank	2,044,441	3,662,677
Audi Bank	2,064,991	1,998,980
Societe Generale Bank	2,916,759	2,817,951
Blom Bank	2,515,598	2,433,777
AlEtihad Bank	2,845,615	3,729,373
Jordan Commercial Bank	2,135,476	-
Arab Banking Corporation Bank	6,203,107	5,997,111
Ahli Bank	8,218,190	2,321,333
Egyptian Arab Land Bank	-	1,993,633
Total	**34,766,739**	**35,350,230**

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

This item consists of the following:

	Number of shares	2016	2015
Listed Shares	**shares**	**JD**	**JD**
Cairo Amman Bank	553,581	1,024,125	1,254,783
Amad investment and Real Estate Development	305,930	-	354,878
Afaq for Energy Company	1,140,147	2,622,338	2,633,739
Afaq for Investment and Real Estate Development	1,541,500	2,497,230	2,266,004
Dar Al Dawa Development and Investment	200,000	430,000	-
Total financial assets at fair value through profit or loss inside Jordan		**6,573,693**	**6,509,404**

(5) Financial Assets at Amortized Cost

This item consists of the following:

	Number of shares	2016	2015
		JD	**JD**
Unlisted Bonds:			
Arab Real Estate Development Company *	120	1,200,000	1,200,000
Total financial assets at amortized cost – inside Jordan		**1,200,000**	**1,200,000**
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - net		**1,000**	**1,000**
Outside of Jordan:			
Sovereign bonds/ Kingdom of Bahrain Government**	1,315	1,000,719	-
Net financial assets at amortized cost		1,000,719	-
Total financial assets at amortized cost		**1,001,719**	**1,000**

* 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, 2015 and amending the interest rate to become a fixed annual interest rate of 11%, to be paid semiannually on October 1st, and April 1st each year starting from October 1st 2011. The Company did not collect or record any interest from these bonds after the prospectus was modified.

Following the decision of the General Assembly of the bonds owners in its meeting held on October 26, 2011, the Housing Bank for Trade and Finance, as the Trustee, has started the legal procedures against Arab

Real Estate Development Company (Arab Corp) and filed a lawsuit under number (3460/2011) at the First Instance Court of Amman to demand the rights of the bonds' owners.

Arab Real Estate Development Company bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 31 December 2016.

** Sovereign bonds/Kingdom of Bahrain Government are due on the 26th of January 2026 with an interest rate of 7% and paid on two equal installments on the 26th of January and 26th of July, until the maturity date of the bond.

(6) Cash In Hand And at banks

This item consists of the following:

	2016	2015
	JD	JD
Cash in hand	20,619	22,510
Current accounts at banks	1,404,680	3,391,122
Total	**1,425,299**	**3,413,632**

(7) Checks Under Collection

This item consists of the following:

	2016	2015
	JD	JD
Checks under collection due within six months	5,380,148	3,846,646
Checks under collection due within more than six months up to one year	658,191	1,160,438
Total	**6,038,339**	**5,007,084**

Due dates of checks under collection extends to 31 December 2017.

(8) Accounts receivable, Net

This item consists of the following:

	2016	2015
	JD	JD
Policy holders *	47,945,633	41,139,121
Brokers receivables	1,633,200	1,223,626
Employee receivables	122,693	97,550
Other	841,779	756,573
Total accounts receivable	**50,543,305**	**43,216,870**
Less: Provision for doubtful debts**	(5,437,931)	(3,887,931)
Written off	-	(69,360)
Net accounts receivable	**45,105,374**	**39,259,579**

Below is the aging of receivables table:

	Amount not due yet	Due and undoubtful debts			Total
		1-90 days	91-180 days	181-360 days	
	JD	JD	JD	JD	JD
31 December 2016	27,188,018	14,411,980	2,269,475	1,235,901	45,105,374
31 December 2015	24,221,634	10,768,669	2,611,510	1,657,766	39,259,579

* Includes scheduled payments amounted to JD 27,188,018 as of 31 December 2016 (JD 24,221,634 as of 31 December 2015).

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

	2016	2015
	JD	JD
Balance at the beginning of the year	3,887,931	2,550,879
Additions	1,550,000	1,337,052
Balance at the end of the year	**5,437,931**	**3,887,931**

(9) Reinsurance Receivables, Net

This item consists of the following:

	2016	2015
	JD	JD
Local insurance companies	2,251,228	1,624,705
Foreign reinsurance companies	3,980,533	2,777,869
Total reinsurance receivables	**6,231,761**	**4,402,574**
Less: Provision for doubtful debt for reinsurance receivables *	(537,069)	(537,069)
Net reinsurance receivables	**5,694,692**	**3,865,505**

Below is the ageing of the reinsurance receivables table:

	Due and undoubtful debts			
	1-90 days	91-180 days	181-360 days	Total
	JD	JD	JD	JD
31 December 2016	4,471,154	728,101	495,437	5,694,692
31 December 2015	3,484,568	30,656	350,281	3,865,505

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

	2016	2015
	JD	JD
Balance at the beginning of the year	537,069	249,121
Additions	-	287,948
Balance at end of the year	**537,069**	**537,069**

(10) Income tax

Income tax provision

The movement on the income tax provision is as follows:

	2016	2015
	JD	JD
Balance at beginning of the year	1,357,805	1,478,860
Income tax paid	(1,864,420)	(1,935,348)
Income tax paid in advance	(61,409)	(69,979)
Income tax expense for the year	644,569	1,884,272
Balance at the end of the year	**76,545**	**1,357,805**

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

	2016	2015
	JD	JD
Income tax for the year	644,569	1,884,272
Deferred tax assets	(395,967)	(392,510)
Deferred tax liabilities	(6,883)	(196,943)
Total	**241,719**	**1,294,819**

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

	2016	2015
	JD	JD
Accounting profit	1,446,279	5,670,764
Not deductible expenses	1,963,272	2,202,390
Non taxable income	(725,329)	(22,020)
Taxable profit	2,684,222	7,851,134
Effective income tax rate	16%	22%
Income tax rate	24%	24%

Final settlement for income tax between the Company and Income and Sales Tax Department was reached until 31 December 2014.

Income tax return was submitted for the year 2015 and it is still not reviewed by the Income and Sales Tax Department until the date of the financial statements.

Final settlement for sales tax between the Company and Income and Sales Tax Department was reached until 31 December 2014.

A provision for income tax for the year ended 31 December 2016 was taken in accordance with the requirements of the most recent enacted Jordanian Income Tax Law, and in the opinion of the management and the tax consultant the provision taken as at 31 December 2016 is adequate.

According to the income tax law, a tax rate of 24% was used to calculate the income tax as of 31 December 2016.

Deferred tax assets/ liabilities

This item consists of the following:

	2016					2015
	Beginning Balance	Addition	Released Amounts	Ending Balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
A. Deferred tax assets						
Provision for doubtful debts	4,425,000	1,550,000	-	5,975,000	1,434,000	1,062,000
Impairment loss on financial assets	1,199,000	-	-	1,199,000	287,760	287,760
Provision for incurred but not reported claims, net	5,027,507	-	(471,874)	4,555,633	1,093,353	1,206,603
Provision for end of service indemnity	1,002,607	189,674	(217,938)	974,343	233,843	240,626
Premium deficiency reserve, net	-	600,000	-	600,000	144,000	-
Total	**11,654,114**	**2,339,674**	**(689,812)**	**13,303,976**	**3,192,956**	**2,796,989**

B. Deferred tax liabilities						
Unrealized gain from financial assets at fair value through P&L	-	-	-	-	-	6,883
Total	-	-	-	-	-	6,883

Movement on deferred tax assets/ liabilities consists of the following:

	Liabilities		Assets	
	2016	2015	2016	2015
	JD	JD	JD	JD
Beginning balance	6,883	203,826	2,796,989	2,404,479
Additions	(6,883)	(196,943)	395,967	392,510
Ending balance	**-**	**6,883**	**3,192,956**	**2,796,989**

(11) Property and Equipment, net

This item consists of the following:

	Land	Building	Computers	Decoration	Equipment, tools and furniture	Vehicles	Total
	JD	JD	JD	JD	JD	JD	JD
31 December 2016							
Cost							
Balance at the beginning of the year	1,545,000	2,575,000	856,111	1,183,380	1,315,301	437,300	7,912,092
Additions	-	-	74,127	86,225	75,890	75,000	311,242
Disposals	-	-	(19,430)	-	(73,731)	-	(93,161)
Balance at the end of the year	1,545,000	2,575,000	910,808	1,269,605	1,317,460	512,300	8,130,173
Accumulated depreciation							
Balance at the beginning of the year	-	274,667	584,135	792,424	751,744	211,229	2,614,199
Additions	-	51,500	103,699	136,112	146,582	67,494	505,387
Disposals	-	-	(18,943)	-	(73,202)	-	(92,145)
Balance at the end of the year	-	326,167	668,891	928,536	825,124	278,723	3,027,441
Net book value	**1,545,000**	**2,248,833**	**241,917**	**341,069**	**492,336**	**233,577**	**5,102,732**
31 December 2015							
Cost							
Balance at the beginning of the year	1,545,000	2,575,000	691,985	868,424	1,115,976	485,000	7,281,385
Additions	-	-	156,795	161,956	199,325	23,800	541,876
Disposals	-	-	(8,514)	-	-	(71,500)	(80,014)
Transfers from payment on purchase of assets	-	-	15,845	153,000	-	-	168,845
Balance at the end of the year	1,545,000	2,575,000	856,111	1,183,380	1,315,301	437,300	7,912,092
Accumulated depreciation							
Balance at the beginning of the year	-	223,167	479,042	595,770	601,840	165,537	2,065,356
Additions	-	51,500	113,554	196,654	149,904	72,030	583,642
Disposals	-	-	(8,461)	-	-	(26,338)	(34,799)
Balance at the end of the year	-	274,667	584,135	792,424	751,744	211,229	2,614,199
Net book value	**1,545,000**	**2,300,333**	**271,976**	**390,956**	**563,557**	**226,071**	**5,297,893**

Property and equipment include fully depreciated items amounting to JD 1,631,647 as at 31 December 2016 (JD 788,237 as at 31 December 2015), which are still being used up to the date of the financial statements.

(12) Intangible Assets

	2016	2015
	JD	JD
Balance at the beginning of the year	581,278	519,331
Additions	54,858	117,732
Amortization	(142,912)	(72,050)
Payments on the purchase of intangible assets	-	16,265
Balance at the end of the year	**493,224**	**581,278**

(13) Other Assets

This item consists of the following:

	2016	2015
	JD	JD
Accrued revenues	358,676	354,615
Prepaid expenses	228,118	162,398
Refundable deposits	467,191	496,588
Medical tools for claims	64,689	61,343
Total	**1,118,674**	**1,074,944**

(14) Accounts Payable

This item consists of the following:

	2016	2015
	JD	JD
Agents' payables	992,309	845,534
Employee payables	19,211	10,023
Garages' payable	859,953	845,835
Medical network payables	7,739,572	4,419,243
Trade and companies' payables	4,561,172	3,693,207
Total	**14,172,217**	**9,813,842**

(15) Reinsurers' Payables

This item consists of the following:

	2016	2015
	JD	JD
Local insurance companies	26,564	46,884
Foreign reinsurance companies	23,975,834	18,423,333
Total	**24,002,398**	**18,470,217**

(16) Other Provisions

This item consists of the following:

	2016	2015
	JD	JD
Provision for end of service indemnity	974,343	1,002,607
Total	**974,343**	**1,002,607**

The following schedule represents the movement on other provisions:

	Beginning balance	Additions	Amounts paid During the year	Ending balance
	JD	JD	JD	JD
Provision for end of service indemnity	1,002,607	189,674	(217,938)	974,343
Total	**1,002,607**	**189,674**	**(217,938)**	**974,343**

(17) Other Liabilities

This item consists of the following:

	2016	2015
	JD	JD
Board of Directors' remuneration	35,000	35,000
Due to shareholders – subscription refunds	24,902	24,902
Stamps withholdings	124,113	110,864
Sales tax withholdings	175,380	145,960
Income tax withholdings	67,097	100,818
Total	**426,492**	**417,544**

(18) Paid In Capital

Authorized and paid in capital amounted to JD 21,438,252 divided into 21,438,252 shares the par value of each is JD 1 as of 31 December 2016 (21,438,252 shares with a par value of JD 1 each as of 31 December 2015).

The General Assembly held on April 27, 2016 approved the Board of Directors' proposal to distribute a percentage of 7.5% of the Company's capital as at 31 December 2015 as cash dividends to shareholders compared to 10% of the Company's capital as of December 31, 2014.

Proposed dividends to Shareholders
The board of directors recommended in their meeting held on 14 February 2017 to the Ordinary General Assembly to retain 2016 net profit to the coming year 2017.

(19) Legal Reserve

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

(20) retained earnings

This item consists of the following:

	2016	2015
	JD	JD
Beginning balance	8,237,404	6,572,360
Capitalized gain (note 18)	-	-
Profit for the year	1,204,560	4,375,945
Less:		
Distribution of cash dividends	1,607,869	2,143,825
Deducted reserves	144,628	567,076
Ending balance of the year	**7,689,467**	**8,237,404**

(21) Interest Income

This item consists of the following:

	2016	2015
	JD	JD
Interest on bank deposits	1,203,605	1,370,967
Interest from financial assets at amortized cost	26,231	-
Total	**1,229,836**	**1,370,967**
Amount transferred to underwriting accounts	-	-
Amount transferred to statement of income	1,229,836	1,370,967

(22) Net Gain (Loss) from financial Assets and Investments

This item consists of the following:

	2016	2015
	JD	JD
Cash dividends received (financial assets at fair value through profit or loss)	407,378	367,579
Gain on sale of financial assets at fair value through profit or loss	9,854	-
Net change in fair value of financial assets at fair value through profit or loss	(68,273)	(820,597)
Total	**348,959**	**(453,018)**
Transferred to underwriting accounts	-	-
Transferred to statement of income	348,959	(453,018)

(23) Employee Expenses

This item consists of the following:

	2016	2015
	JD	JD
Salaries and bonuses	5,723,149	6,953,047
End of service indemnity	189,674	417,521
Social security contribution	573,313	531,736
Medical expenses	42,602	44,973
Travel and transportation	207,128	223,015
Training	19,977	14,488
Total	**6,755,843**	**8,184,780**
Allocated employee expenses to the underwriting accounts	5,404,674	6,547,824
Unallocated employee expenses to the underwriting accounts	1,351,169	1,636,956

(24) General and Administrative Expenses

This item consists of the following:

	2016	2015
	JD	JD
Rent expense	251,528	258,991
Stationery and printing	919,465	1,060,007
Advertisements	619,979	653,257
Bank interest and commission expenses	90,480	75,928
Water, electricity and heating	160,539	142,201
Maintenance expense	127,712	114,448
Postage and telecommunications	370,160	301,699
Building management fees	67,982	66,644
Hospitality	88,790	125,367
Legal fees and expenses	145,111	122,171
Subscriptions	55,876	33,223
Tenders expenses	199,642	178,434
Insurance commission fees	758,310	775,988
Government fees and other fees	51,970	83,534
Donations	14,420	11,130
Insurance expenses	47,090	47,485
Cleaning expense	49,869	47,393
Professional fees	23,000	23,000
Board members bonuses and transportation	100,400	100,400
Orange card fees	2,750	2,910
Board members committee	8,800	-
Vehicles expenses	40,993	39,132
Collection expense	119,760	100,529
Technical consulting fees	86,116	82,675
Others	292,464	308,223
Total	**4,693,206**	**4,754,769**
Allocated general & administrative expenses to the underwriting accounts	3,754,565	3,803,815
Unallocated general and administrative expenses to the underwriting accounts	938,641	950,954

(25) Other Expenses

This item consists of the following:

	2016	2015
	JD	JD
Board of directors' 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 of shares during the year.

	2016	2015
Profit for the year (Dinars)	1,204,560	4,375,945
Weighted average number of shares (Shares)	21,438,252	21,438,252
	Fils/JD	Fils/JD
Basic and diluted earnings per share from the year's income	0.056	0.204

(27) Cash and Cash Equivalents

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

	2016	2015
	JD	JD
Cash in hand and at banks	1,425,299	3,413,632
Add: deposits at banks	34,766,739	35,350,230
Less: deposits at banks mature within the period of more than three months	(34,541,739)	(35,125,230)
Less: restricted deposits to the insurance commission (Note 3)	(225,000)	(225,000)
Net Cash and cash equivalents	**1,425,299**	**3,413,632**

(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 premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as of 31, December 2016.

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

	31 December 2016			31 December 2015
	Jordan Kuwait Bank (Former Board member)	Top Executive Management	Total	Total
	JD	JD	JD	JD
Statement of Financial Position Items:				
Time deposits	5,822,562	-	5,822,562	7,346,062
Overdraft account (ceiling of JD100,000)/credit balance	354,383	-	354,383	2,714,778
Current account	934,699	-	934,699	576,356
Deposits on letters of guarantee	449,441	-	449,441	480,289
Accounts receivable	(3,684)	13,424	9,740	33,429
Off-statement of Financial Position Items:				
Letters of guarantee	4,494,410	-	4,494,410	4,802,890
Statement of Income Items :				
Bank interest income	200,330	-	200,330	277,856
Insurance	1,700,103	4,450	1,704,553	1,688,013
Bank expenses and commissions	162,370	-	162,370	114,105
System maintenance	-	-	-	8,116
Salaries	-	786,992	786,992	1,207,635
Bonuses	-	280,674	280,674	1,820,106
Transportation expenses for members of the Board of Directors	-	50,400	50,400	50,400
Bonus expenses for members of the Board of Directors	-	85,000	85,000	85,000
Board of Directors committees bonus	-	8,800	8,800	4,800

During 2011, it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurance accounts through Gulf Insurance Company, where the company's credit balance amounted to JD 910,885 as of 31 December 2016.

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

	2016	2015
	JD	JD
Salaries and bonuses	1,067,666	3,027,741
Total	**1,067,666**	**3,027,741**

(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 2016 and 2015.

(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 Swefieh, Tla'a Al Ali, Al Abdali branch Al Abdali- Boulevard 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 - Motor Insurance:

The accident year	2012 and before	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	96,204,589	14,877,361	19,584,930	17,869,709	19,005,315	-
After one year	97,587,926	15,687,337	21,788,725	19,747,199	-	-
After two years	98,301,035	16,234,033	21,759,682	-	-	-
After three years	98,635,571	15,849,457	-	-	-	-
After four years	98,369,488	-	-	-	-	-
Present expectation for the accumulated claims	98,369,488	15,849,457	21,759,682	19,747,199	19,005,315	174,731,141
Accumulated claims	96,720,051	15,207,367	17,596,522	17,029,801	12,426,329	158,980,070
Liability as in the statement of financial position Outstanding claims	1,649,437	642,090	4,163,160	2,717,398	6,578,986	15,751,071
Reported	1,649,437	642,090	4,163,160	2,717,398	3,578,986	12,751,071
Unreported	-	-	-	-	3,000,000	3,000,000
(Deficit) in the preliminary estimate for reserve	(2,164,899)	(972,096)	(2,174,752)	(1,877,490)	-	(7,189,237)

Total – Marine

The accident year	2012 and before	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	2,238,731	86,330	70,096	163,518	148,093	-
After one year	2,424,407	175,526	498,060	244,351	-	-
After two years	2,391,867	223,567	533,740	-	-	-
After three years	2,401,233	223,567	-	-	-	-
After four years	2,395,233	-	-	-	-	-
Present expectation for the accumulated claims	2,395,233	223,567	533,740	244,351	148,093	3,544,984
Accumulated payments	2,320,271	201,817	523,740	231,373	86,420	3,363,621
Liability as in the statement of financial position	74,962	21,750	10,000	12,978	61,673	181,363
Reported	74,962	21,750	10,000	12,978	41,673	161,363
Unreported	-	-	-	-	20,000	20,000
(Deficit) in the preliminary estimate for reserve	(156,502)	(137,237)	(463,644)	(80,833)	-	(838,216)

Total - fire and property:

The accident year	2012 and before	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	8,589,441	687,357	10,640,217	1,131,955	1,075,555	-
After one year	9,533,124	2,243,914	10,275,215	10,430,718	-	-
After two years	9,669,099	2,249,919	10,090,121	-	-	-
After three years	9,730,228	2,243,333	-	-	-	-
After Four years	9,697,847	-	-	-	-	-
Present expectation for the accumulated claims	9,697,847	2,243,333	10,090,121	10,430,718	1,075,555	33,537,574
Accumulated payments	9,343,832	1,881,432	9,492,071	2,247,269	656,599	23,621,203
Liability as in the statement of financial position Outstanding claims	354,016	361,900	598,050	8,183,449	418,956	9,916,371
Reported	354,016	361,900	598,050	8,183,449	218,956	9,716,371
Unreported	-	-	-	-	200,000	200,000
(Deficit) in the preliminary estimate for reserve	(1,108,406)	(1,555,976)	550,096	(9,298,763)	-	(11,413,049)

Total – Liability

The accident year	2012 and before	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
At the ended of the year	428,486	36,343	77,083	43,750	251,136	-
After one year	491,522	134,308	149,136	97,696	-	-
After two years	539,023	143,658	152,739	-	-	-
After three years	580,424	143,658	-	-	-	-
After four years	590,966	-	-	-	-	-
Present expectation for the accumulated claims	590,966	143,658	152,739	97,696	251,136	1,236,194
Accumulated payments	465,120	117,903	144,564	76,741	174,333	978,661
Liability as in the statement of financial position	125,846	25,755	8,175	20,954	76,803	257,533
Reported	125,846	25,755	8,175	20,954	46,803	227,533
Unreported	-	-	-	-	30,000	30,000
(Deficit) in the preliminary estimate for reserve	(162,480)	(107,315)	(75,655)	(53,946)	-	(399,396)

Total – Medical

The accident year	2012 and before	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	-	-	-	-	13,288,190	-
After one year	-	-	-	-	-	-
After two years	-	-	-	-	-	-
After three years	-	-	-	-	-	-
After four years	-	-	-	-	-	-
Present expectation for the accumulated claims	-	-	-	-	13,288,190	13,288,190
Accumulated payments	-	-	-	-	-	-
Liability as in the statement of financial position	-	-	-	-	13,288,190	13,288,190
Reported	-	-	-	-	8,580,203	8,580,203
Unreported	-	-	-	-	4,707,987	4,707,987
Surplus (deficit) in the preliminary estimate for reserve	-	-	-	-	-	-

Total – Others

The accident year	2012 and before	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
At the ended of the year	6,360,356	217,537	653,581	253,976	395,102	-
After one year	9,529,851	1,592,883	1,223,132	475,234	-	-
After two years	10,475,740	1,697,193	1,226,266	-	-	-
After three years	10,842,558	1,707,911	-	-	-	-
After four years	10,761,211	-	-	-	-	-
Present expectation for the accumulated claims	10,761,211	1,707,911	1,226,266	475,234	395,102	14,565,724
Accumulated payments	9,564,604	1,383,083	1,114,616	162,161	175,364	12,399,828
Liability as in the statement of financial position	1,196,607	324,828	111,650	313,073	219,738	2,165,896
Reported	1,196,607	324,828	111,650	313,073	49,738	1,995,896
Unreported	-	-	-	-	170,000	170,000
(Deficit) in the preliminary estimate for reserve	(4,400,855)	(1,490,374)	(572,685)	(221,258)	-	(6,685,172)

3. Insurance Risk Concentrations

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

	2016		2015	
Insurance types	**Net**	**Gross**	**Net**	**Gross**
	JD	**JD**	**JD**	**JD**
Motor	24,547,049	26,329,956	24,203,974	25,800,571
Marine	156,056	1,229,731	246,563	1,122,030
Aviation	-	11,495	-	10,212
Liability	216,056	735,758	126,444	870,699
Fire and properties	1,161,976	16,370,113	1,090,568	8,110,074
Medical	9,838,777	39,967,321	10,927,879	35,273,586
Other	906,278	3,733,747	1,008,203	5,605,920
Total	36,826,192	88,378,121	37,603,631	76,793,092

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

The geographical distribution is as follows:

	2016			2015		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
a. According to geographical area:						
Inside Jordan	97,919,021	55,517,673	4,494,410	101,581,979	48,132,752	4,802,890
Other Middle East Countries	9,513,985	11,925,676	-	1,001,569	3,987,689	-
Europe	2,989,491	9,165,458	-	24,858	12,312,612	-
Asia*	63,950	66,105	-	479,703	4,508,901	-
Africa*	26,994	27,759	-	69,429	1,505	-
Total	**110,513,441**	**76,702,671**	**4,494,410**	**103,157,538**	**68,943,459**	**4,802,890**

* Excluding Middle East countries.

	2016			2015		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
b. According to Sector:						
Public sector	16,683,157	10,343,557	2,740,312	11,015,912	6,380,027	4,802,890
Private Sector:						
Companies and corporations	89,604,884	63,476,774	1,754,098	88,200,961	60,226,985	-
Individuals	4,225,400	2,882,340	-	3,940,665	2,336,447	-
Total	**110,513,441**	**76,702,671**	**4,494,410**	**103,157,538**	**68,943,459**	**4,802,890**

The concentration of the off-statement of financial position items, assets and liabilities related to reinsurers according to the geographical distribution is as follows:

	2016			2015		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
a. According to geographical area:						
Inside Jordan	-	88,378,121	-	-	76,793,092	-
Other Middle East Countries	-	-	-	-	-	-
Europe	24,233,882	-	-	24,653,453	-	-
Asia*	12,592,310	-	-	12,950,178	-	-
Africa*	-	-	-	-	-	-
Total	**36,826,192**	**88,378,121**	**-**	**37,603,631**	**76,793,092**	**-**

* Excluding Middle East countries.

Insurance Risk Sensitivity

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

Insurance activities	Change	Effect on the underwriting premium	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motor	10	2,441,291	2,312,685	1,757,641
Marine	10	276,979	46,506	35,344
Aviation	10	5,482	-	-
Fire	10	1,058,453	116,844	88,801
Liability	10	104,046	18,637	14,164
Medical	10	6,689,508	1,289,223	979,809
Others	10	444,747	86,769	65,945
Total		**11,020,506**	**3,870,664**	**2,941,704**

* Net after deducting income tax effect.

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

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

Insurance activities	Change	Effect on the paid claims	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motors	10	1,970,032	1,838,348	1,397,145
Marine	10	27,673	6,370	4,841
Aviation	10	-	-	-
Fire	10	264,893	52,993	40,275
Liability	10	6,494	15,155	11,518
Medical	10	6,202,207	1,805,674	1,372,312
Others	10	191,179	24,368	18,519
Total		**8,662,478**	**3,742,908**	**2,844,610**

* Net after deducting income tax effect.

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

(B) Financial Risks

The risks that the company face revolve around the possibility of insufficient return on investments to fund the obligations arising from insurance contracts and investments.

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 rates, currency prices and stock prices. These risks are monitored according to specific policies and procedures and through specialized committees and business units.

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

2- Interest Rate Risk

Interest rate risks relate to long term bank deposits, development bonds, and other deposits. Moreover, the Company always aims 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 31 December 2016. The interest rate on bank deposits ranged from 3% to 4% annually on Jordanian Dinar deposits. The interest rate on overdraft accounts ranged from 5% annually. The company did not use overdraft facilities which amount up to five hundred thousand dinars during the past three years and plans to not use it during the coming period foreseen.

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 31 December			
	2016	2015	2016	2015
	JD	JD	JD	JD
Increase (decrease) in profit for the year	173,834	176,751	(173,834)	(176,751)
Shareholders' equity	173,834	176,751	(173,834)	(176,751)

The table below shows the sensitivity of exposure to interest rates on the sovereign bonds of The Kingdom of Bahrain Government. Moreover, the analysis below has been prepared assuming that the amount of bonds 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 31 December			
	2016	2015	2016	2015
	JD	JD	JD	JD
Increase (decrease) in profit for the year	5,009	-	(5,009)	-
Shareholders' equity	5,009	-	(5,009)	-

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:

	Foreign Currency		Equivalent in Jordanian Dinar	
Currency Type	2016	2015	2016	2015
US Dollar	1,267,378	679,924	898,571	482,066

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 maturity of assets with the maturity of financial and technical liabilities.

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

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

	Less than 1 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
31 December 2016 -							
Liabilities:							
Accounts payables	5,500,000	4,000,000	3,000,000	1,500,000	172,217	-	14,172,217
Accrued expenses	224,484	-	-	-	-	-	224,484
Reinsurance payables	3,500,000	6,000,000	6,500,000	7,000,000	500,000	502,398	24,002,398
Other provisions	-	-	-	-	-	974,343	974,343
Income tax provision	76,545	-	-	-	-	-	76,545
Other payables	401,590	-	-	-	-	24,902	426,492
Deferred tax liabilities	-	-	-	-	-	-	-
Total liabilities	**9,702,619**	**10,000,000**	**9,500,000**	**8,500,000**	**672,217**	**1,501,643**	**39,876,479**
Total Assets	**21,980,920**	**19,016,713**	**17,565,900**	**42,146,222**	**1,001,719**	**8,801,967**	**110,513,441**
31 December 2015 -							
Liabilities:							
Accounts payables	3,500,000	2,650,000	2,500,000	1,000,000	163,842	-	9,813,842
Accrued expenses	270,930	-	-	-	-	-	270,930
Reinsurance payables	3,500,000	3,000,000	5,300,000	5,800,000	870,217	-	18,470,217
Other provisions	-	-	-	-	-	1,002,607	1,002,607
Income tax provision	753,708	-	604,097	-	-	-	1,357,805
Other payables	246,682	145,960	-	-	-	24,902	417,544
Deferred tax liabilities	-	-	-	-	-	6,883	6,883
Total liabilities	**8,271,320**	**5,795,960**	**8,404,097**	**6,800,000**	**1,034,059**	**1,034,392**	**31,339,828**
Total Assets	**18,532,302**	**13,385,541**	**9,837,950**	**40,200,560**	**8,812,610**	**12,388,575**	**103,157,538**

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 in the investment portfolio at 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' equity:

	Change in Index	Impact on Shareholders' equity Gain/(Loss)
2016		**JD**
Stock Exchange	+5%	328,685
Stock Exchange	-5%	(328,685)

	Change in Index	Impact on Shareholders' equity (Gain/(Loss)
2015		**JD**
Stock Exchange	+5%	325,470
Stock Exchange	-5%	(325,470)

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 brokers.
- Controls accounts receivable.
- Sets reinsurance policies at other financially solvent 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 treaties 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 geographic 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 treaties.

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

- The Company applies the treaty and facultative reinsurance agreements terms upon underwriting for all types of insurance regardless of the 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.

- If the Company decides to assign more than 30% of any insurance contract, it provides a facultative reinsurance cover by at least 60% of that of contract to a reinsurance company that is classified as first and second class in accordance with the instructions of the solvency margin.

  The Company reinsures on a facultative basis 100% of risks excluded from treaties to a reinsurance company (companies) classified as 1st or 2nd class according to the solvency margin instructions.

  The Company follows up on the treaty and facultative reinsurance companies monthly to ensure that the classification is not downgraded 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:

31 December 2016 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Bank deposits	34,766,739	-	34,766,739
Financial assets at fair value through profit or loss	6,573,693	-	6,573,693
Financial assets at amortized cost	-	1,001,719	1,001,719
Cash in hand and at banks	1,425,299	-	1,425,299
Checks under collection	6,038,339	-	6,038,339
Accounts receivable - net	45,105,374	-	45,105,374
Reinsurance receivables - net	5,694,692	-	5,694,692
Deferred tax assets	-	3,192,956	3,192,956
Property and equipment - net	-	5,102,732	5,102,732
Intangible assets	-	493,225	493,225
Other assets	1,118,673	-	1,118,673
Total Assets	**100,722,809**	**9,790,632**	**110,513,441**
Liabilities			
Unearned premium reserve, net	16,651,359	-	16,651,359
Premium deficiency reserve	600,000	-	600,000
Outstanding claims reserve, net	15,800,000	3,774,833	19,574,833
Accounts payable	14,000,000	172,217	14,172,217
Accrued expenses	224,484	-	224,484
Reinsurance payable	23,000,000	1,002,398	24,002,398
Other provisions	-	974,343	974,343
Income tax provision	76,545	-	76,545
Other liabilities	401,590	24,902	426,492
Deferred tax liabilities	-	-	-
Total Liabilities	**70,753,978**	**5,948,693**	**76,702,671**
Net Assets	**29,968,831**	**3,841,939**	**33,810,770**

31 December 2015 -	Within 1 year	More than year 1	Total
	JD	JD	JD
Assets			
Bank deposits	35,350,230	-	35,350,230
Financial assets at fair value through profit or loss	6,509,404	-	6,509,404
Financial assets at amortized cost	1,000	-	1,000
Cash in hand and at banks	3,413,632	-	3,413,632
Checks under collection	5,007,084	-	5,007,084
Accounts receivable - net	39,259,579	-	39,259,579
Reinsurance receivables - net	3,865,505	-	3,865,505
Deferred tax assets	2,796,989	-	2,796,989
Property and equipment - net	-	5,297,893	5,297,893
Intangible assets	-	581,278	581,278
Other assets	1,074,944	-	1,074,944
Total Assets	**97,278,367**	**5,879,171**	**103,157,538**
Liabilities			
Unearned premium reserve, net	18,802,875	-	18,802,875
Outstanding claims reserve, net	15,440,540	3,360,216	18,800,756
Accounts payable	9,650,000	163,842	9,813,842
Accrued expenses	270,930	-	270,930
Reinsurance payables	17,600,000	870,217	18,470,217
Other provisions	-	1,002,607	1,002,607
Income tax provision	1,357,805	-	1,357,805
Other liabilities	392,642	24,902	417,544
Deferred tax liabilities	-	6,883	6,883
Total Liabilities	63,514,792	5,428,667	68,943,459
Net Assets	**33,763,575**	**450,504**	**34,214,079**

(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. Also, the Company exercises international activities through its allies in the Middle East, Europe, Asia, America and the Near East, which represent international business.

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

	Inside the Kingdom		Outside the Kingdom		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Total assets	97,919,021	101,581,979	12,594,420	1,575,559	110,513,441	103,157,538
Total written premium	104,095,083	102,163,177	6,109,976	508,013	110,205,059	102,671,190
Capital expenditure	366,100	675,873	-	-	366,100	675,873

(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:

	2016	2015
	JD	JD
Total paid in Capital	21,438,252	21,438,252
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 31 December 2016 and 2015:

	2016	2015
	JD	JD
Core Capital		
Paid in Capital	21,438,252	21,438,252
Statutory reserve	4,683,051	4,538,423
Profit for the year net of appropriations	1,204,560	3,808,868
Retained earnings	6,484,907	4,428,536
Total Core Capital	**33,810,770**	**34,214,079**
Supplementary capital:		
Cumulative change in fair value	-	-
Total Supplementary Capital	-	-
Total regulatory capital (a)	**33,810,770**	**34,214,079**
Total required capital (b)	**22,418,223**	**21,677,724**
Solvency margin (a) / (b)	**150.8%**	**157.8%**

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 2,961,191 as of 31 December 2016. 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 has letter of guarantee of JD 4,494,410 as of 31 December 2016 against which cash margins of JD 449,441 are held.

(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).

31 December 2016	Level (1) JD	Level (2) JD	Level (3) JD	Total JD
Financial assets at fair value through profit or loss	6,573,693	-	-	6,573,693
Total financial assets	6,573,693	-	-	6,573,693

31 December 2015	Level (1) JD	Level (2) JD	Level (3) JD	Total JD
Financial assets at fair value through profit or loss	6,509,404	-	-	6,509,404
Total financial assets	6,509,404	-	-	6,509,404

(37) Standards issued but not yet effective

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 16 Leases

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18

Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1

January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.