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مجموعة الخليج للتأمين

From Origin to Excellence

2017 ANNUAL REPORT

His Majesty King Abdullah II

Crown Prince Hussein Bin Abdullah II

Sheikh Sabah Al-Ahmad Al-Jaber Al- Sabah

Prince of Kuwait

The 20th Annual Report

2017

For The year Ended December 31,2017

Arab Orient Insurance Company

(A Public Limited Shareholding Company)
Amman-Jordan

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Board of Directors

Chairman
H.E Eng. Naser Ahmad Abdul Kareem Al- Lozi

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

Member
Mr. Alaa Mohammad Ali Al Zoheiry
Representative of Gulf Insurance Company

Member
Mr. Bijan Khosrochahi
Representative of Gulf Insurance Company

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

Member from 24/4/2017
Ali Kathem Abdul Aziz Al-Hendal
Representative of Gulf Insurance Company

Member from 24/4/2017
Tawfiq Abdul Qader Mohammad Mukahal

Member until 24/4/2017
Mr. Ebrahim Mohammad Sharif Al Rayes
Representative of Gulf Insurance Company

Member until 24/4/2017
Mr. Jamal Sharif Hazaa Hazaa

CEO until 25/4/2017
Mr. Mustafa Yasser Mustafa Melhem

Deputy CEO – Secretary of Board of Directors
Mr. Khalil Abdul Jawad Abdul Fattah Khmous

External Auditors
Messrs. Ernst & Young

A Letter from the Chairman

Dear Shareholders,,,
On behalf of my fellow board members and myself, I would like to graciously renew our 20th commitment to you this year in our annual meeting and present to you the annual report with its financial data as of 31/12/2017. In light of the challenging events facing the region as a whole, 2017 was difficult for institutions and countries alike. This had a direct impact on all economic and financial sectors and particularly on local insurance companies in Jordan as is the case for other companies in the region. As a result, we had to take various measures to minimize negative externalities by putting in place a business plan that reflects all business inputs and their repercussions.

The continuous lack of investment opportunities and limited liquidity during 2017 had a major negative impact on the economic situation in general. As a result, this had an impact on the purchasing power of the Jordanian citizen and his/her necessary living expenses. 2017 was the most difficult year compared to the previous years, which has negatively impacted the insurance sector in general and companies in particular, as reflected in the high amount of reported losses for the year. Despite being a difficult year due to mentioned crises in previous years and their negative economic consequences that have accelerated over the years, especially in 2017, the company has achieved growth in insurance premiums for two types of insurance categories: general insurance and Complementary insurance.
In spite of the major challenges in 2017, the company has been granted special rating earlier in the year at the local and regional level by the international rating company A.M. Best, who affirmed its Financial Strength Rating (FSR) (B++) and Long Term Issuer Credit Rating of (bbb) with a negative outlook for both ratings.

Dear Shareholders,,,
The global reinsurance market still faces tight policies with regards to renewal of agreements for the year 2018. The reinsurance companies continue to focus on specialty for guaranteeing profitability, the ability to increase technical profits for direct insurance companies, and improve the Loss ratio given the decrease in return on investments in international markets. In spite of all the tightened policies, the Gulf Insurance Group (gig) decision is still valid for the eighth year in arranging a Master Treaty that includes all subsidiary companies. These companies have achieved better benefits through this treaty about the Capacity of the agreements and maintenance of good commission rates by reinsurance companies in addition to other benefits in the terms, conditions, and exceptions. Accordingly, the group strategy continues to improve the quality and profit of subsidiary businesses. The Treaty was managed by Hannover Re., an international reinsurance company in 2017. It included 23 reinsurance companies with excellent ratings according to the instructions of the insurance Administration in order to ensure the strength and soundness of this treaty.

Dear Shareholders,,,
The year 2017 has witnessed a drawback in stock market performance, which was continuous for several

years. Consequently, most companies had to resort to competitive pricing as the best mechanism to get business and maintain market share. Even with this competition, we as a company were able to maintain a high renewal rates which reached 81% .
In accordance to what was mentioned, the company kept on intensifying its efforts as an aim to attract medium and large sized accounts, by focusing on offering the best developed programs to the market with appropriate pricing and offering spectacular services with speed and absolute accuracy. The company was able to continue servicing the largest insurance portfolio of companies in the Kingdom with a client base of over 2657 companies. The company also offers services in medical insurance to more than 247 thousand subscribers or policyholders that are offered first class medical insurance, and represent more than 927 companies and institutions from different economic sectors. The services are offered by an integrated team of doctors, pharmacists, and nurses who amount to more than 90 employees available to serve 24 hours and are supported by a resilient team of account managers to ensure that clients are receiving the best insurance services in terms of speed at all times.

In 2018, the company will continue its strategy and its clear objectives concerning its trend to focus on products and individual programs that have proven to be the most profitable business, most stable and less affected by external factors. Also, the company will keep on updating and developing its information technology system to attain more speed, accuracy, effectiveness and control. In addition to its absolute commitment to its service standards that focus on speedy compensation of premiums, transparency in dealing with clients, and the highest degree of credibility and technical and ethical commitment.
The company maintains its relationship with reinsurance companies and regulatory bodies in transparency through an internet connection in which they can supervise the performance of our company and know about our businesses anytime. Also, the company and through its adoption of a special information technology system is able to get results regarding profits and losses directly and anytime. Therefore, it can extract its final financial data instantly as soon as the financial year ends. It can also offer it an opportunity to constantly supervise its operations.
During 2018, the trend of the company with regards to information technology systems will focus on developing supervisory and protective systems for company files, information, and data. In brief, the company will exert all of its possible efforts to maintain its leading position in the Jordanian market on different aspects of subscriptions and profitability, with an aim to propagate our return on equity.

Dear Shareholders,,,
The medical insurance branch faced huge losses for the first time in the company's history amounting to JDs 15.2 million and directly resulting from a mismatch that occurred in the calculation methodology of the reinsurer's share of written premiums in that it has become annual instead of the previous quarterly calculation and recording premium deficiency reserve of JDs 884 thousand made by the actuarial expert of the company. In addition to the large size of paid claims in 2017, where the net paid medical claims reached JDs 28.5 million compared to JDs 18 million in 2016. Also, a large number of losing contracts have been cancelled and not renewed.

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We would like to emphasize that the biggest challenge facing insurance companies is the negative consequence of the compulsory motor insurance due to the civil liability arising from using vehicles, in which it prevents insurance companies from pricing or choosing risks that suit its subscription policies. This situation drains the insurance sector unless pricing becomes floated for this type of insurance in a way that balances premium and risk. We are currently working on coordinating with the Insurance Administration to float these prices during 2018 or increase the pricing in that it is not less than 20% of the current price.

Dear Shareholders,,,
As a result of all the above mentioned reasons, the written premiums have decreased by 13.4% and reached JDs 95.4 million and still your company is the largest in the kingdom as per market share which reached about 16% in 2017 regardless of the company's financial results were it recorded a loss of about JDs 10.8 million. This loss has been compensated by a subordinated loan from the parent company(Gulf Insurance Group) amounting to JDs 11 million with no interest payable and no maturity to maintain the solvency margin as per Insurance Administration requirements in this regard. This loan is an enhancement and continuation of the parent company's role in maintaining good business of the company. Also, to enhance its technical and financial position by offering an umbrella for a consolidated reinsurance with the rest of the subsidiary companies. The mother company plans on adding medical reinsurance branch to its umbrella in the future to avoid the losses that occurred in the medical reinsurance in 2017. Looking forward, we will continue to always aspire for development and growth depending on a group of pillars built on a sound foundation. Taking a proactive and sustainable approach to continuing progress and continuous success.

Chairman of the Board of Directors

Naser Ahmad Al-Lozi

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Board of Directors Report:

Dear Shareholders,,,

The results of the company's activities during 2017 have been as follows:

Insurance Premiums

Total insurance premium during the year 2017 were JD95,427,353 compared to JD 110, 205,059 in 2016, with total decrease of 13.41%, distributed as follows:

- Marine Insurance: Total marine insurance premium during the year 2017 was JD 739,336 compared to JD 2,769,790 in 2016, with total decrease of 73.3%.
- Fire Insurance: Total fire insurance premium during the year 2017 reached JD 8,754,301 compared to JD 10,584,528 in 2016, with total decrease of 17.29%.
- Liability, Aviation and Other Insurance Branches: Total premium of liability, aviation and other insurance branches during the year 2017 was JD 5,753,013 compared to JD 5,542,747 in 2016, with total increase of 3.79%.
- Motor Insurance: Total motor insurance premium during the year 2017 was JD 24,828,910 compared to JD 24,412,908 in 2016, with total increase of 1.70%.
- Medical Insurance: Total medical insurance premium during the year 2017 was JD 55,351,793 compared to JD 66,895,086 in 2016, with total decrease of 17.25%.

Insurance Claims

Total paid claims during the year 2017 were JD 93,965,336 compared to JD 86,624,780 in 2016, with total increase of 8.47% distributed as follows:

- Marine Insurance: Total marine paid claims during the year 2017 were JD 360,498 compared to JD 276,729 in 2016 with total increase of 30.27%.
- Fire Insurance: Total fire paid claims during the year 2017 were JD 7,177,426 compared to JD 2,648,928 in 2016 with total increase of 171%.
- Liability, Aviation and Other Insurance Branches: Total paid claims for liability, aviation and other insurance branches during the year 2017 were JD 756,798 compared to JD 1,976,736 in 2016, with total decrease of 61.71%.
- Motor Insurance: Total motor paid claims during the year 2017 were JD 21,657,731 compared to JD 19,700,315 in 2016, with total increase of 9.93%.
- Medical Insurance: Total medical paid claims during the year 2017 were JD 64,012,883 compared to JD 62,022,072 in 2016, with total increase of 3.20%.

Reserves

- The net unearned premiums reserve at the end of 2017 was JD 15,635,902 compared to JD 16,651,359 at the end of 2016, with total decrease of 6.10%.
- The net outstanding claims reserve at the end of 2017 was 20,407,783 compared to JD 19,574,833 at the end of 2016, with total increase of 4.25 %.
- Net premium deficiency reserve at the end of 2017 was JD 884,000 compared to JD 600,000 at the end of 2016 , with total increase of 47.3%.

Investments

- The company achieved in 2017 an income of JD 1,394,063 compared to JD 1,203,605 in 2016 as interest on its deposits at banks, with total increase of 15.82%.
- Financial investments as at 31/12/2017 reached JD 9,867,693 ; which consisted of JD 7,387,685 financial assets at fair value through profit or loss and JD 2,480,008 financial assets at amortized cost. Deposits at banks were JD 42,693,311 as at 31/12/2017, from which there is JD 225,000 as restricted deposit in the name of the general manager of the insurance administration as a legal requirement.

Profits

Total technical losses during the year 2017 were JD 11,784,218 compared to total technical profits JD 4,389,108 in 2016 distributed as follows:

- Marine Insurance: Total marine profits during the year 2017 were JD 298,588 compared to JD 371,937 in 2016, with total decrease of 19.6 %.
- Fire Insurance: Total fire profits during the year 2017 were JD 588,516 compared to JD 680,640 in 2016, with total decrease of 13.50%.
- Liability, Aviation and Other Insurance: Total liability, aviation and other insurance profits during the year 2017 were JD 1,035,027 compared to JD 893,488 in 2016, with total increase of 15.8%.
- Motor Insurance: Total motor profits during the year 2017 were JD1,509,329 compared to JD 3,671,749 in 2016, with total decrease of 58.9 %.
- Medical Insurance: Total medical losses during the year 2017 were JD 15,215,678 compared with losses of JD1,228,706 in 2016.
- Total losses before tax and provisions for the year 2017 were JD 14,478,875 compared to total profits of JD 1,446,279 in 2016.
- Total net losses after tax and provisions for the year 2017 were JD 11,082,984 compared to total net profits of JD 1,204,560 in 2016.
- The percentage of the net profits/losses from the paid up capital for the year 2017 were (51.6%) compared to 5.62% in 2016.

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.
- 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 24/04/2017.
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 31/12/2017 and approve it.
5. Approve the membership of Mr. Tawfiq Makhkal as an independent member of the board of directors as of 26/11/2017.
6. Grant release of responsibilities to the Chairman and members of the Board of Directors for the year ended 31/12/2017.
7. Recommend to the Ordinary General Assembly to retain 2017 losses to the coming year 2018 to be amortized .
8. Elect the Auditors for the year 2018 and authorize the Board of Directors to determine their fees.
9. Approve the subordinated loan provided by the parent company (gig | Gulf Insurance Group)
10. 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 do not forget to thank the reinsurers and the insurance and reinsurance agents and brokers whose contribution in the Company's business Continuity had been substantial. We look forward to having more success in 2018 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

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Executive Management

Mr. Mustafa Melhem until 25/4/2017
Job Title: CEO
Education: BS
Years of Experience: 20 years

Mr. Khalil Khmous
Job Title: Deputy CEO & Secretary of the Board of Directors
Education: BS in Accounting & Business administration
Years of Experience: 42 years

Eng. Yazan Khasawneh until 17/1/2018
Job Title: Senior Director
Education: BS
Years of Experience: 16 years

Mr. Tareq Ammary
Job Title: Chief Technical Officer
Education: Master, Cert. CII/London
Years of Experience: 20 years

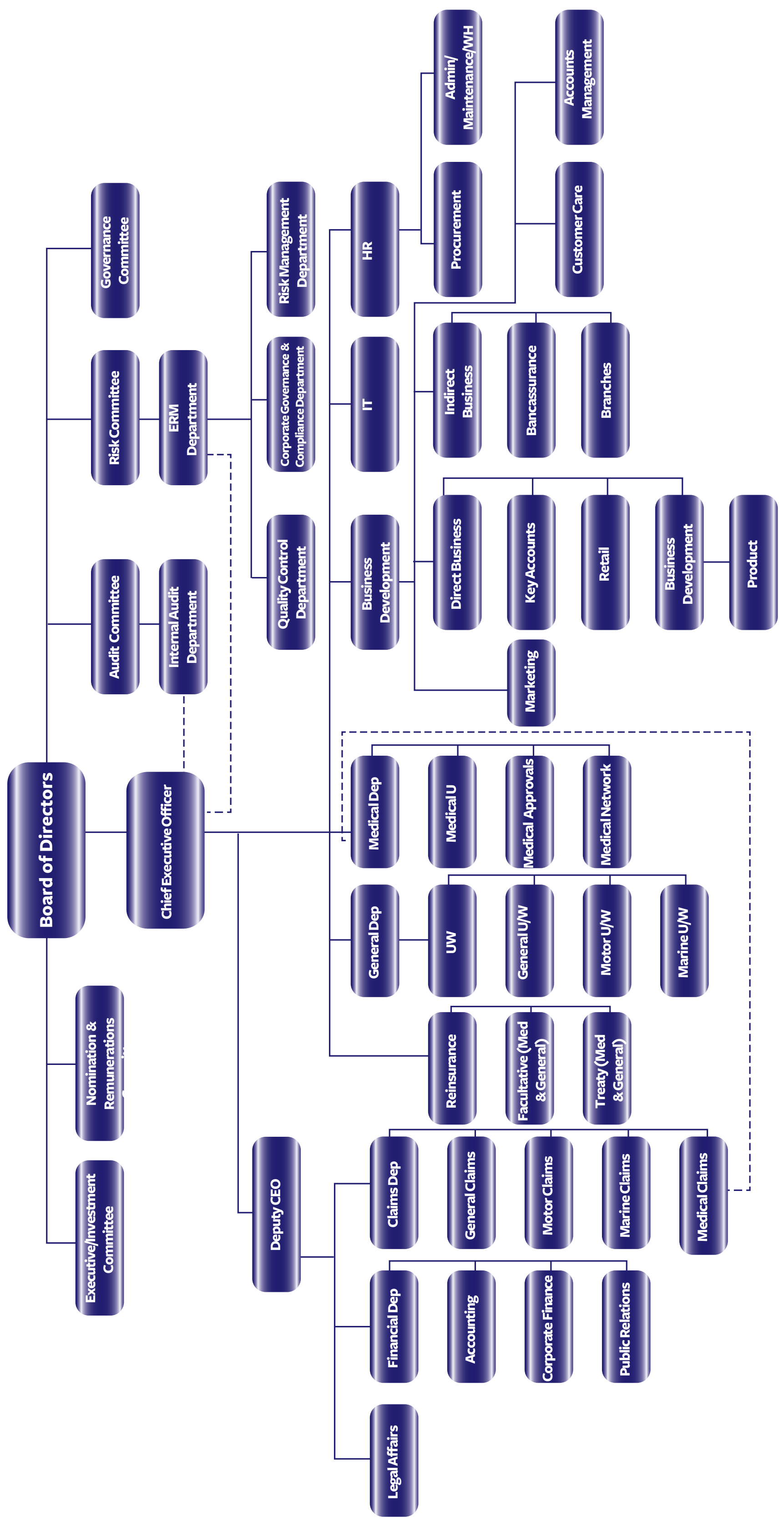
Mr. Rami Dababneh
Job Title: Director/ Key Accounts, General Claims and Motor Claims Departments
Education: BS, Cert. ACII
Years of Experience: 16 years

Mr. Saad Farah
Job Title: Deputy CFO
Education: BS, CMA, CFM
Years of Experience: 17 years

Mr. Ahmad Mousa Ahmad Isbahe
Title: Senior Manager
Education: BS, Diploma
Years of Experience: 15 years

Mr. Saed Hmoud Hanna Farahat
Title: Manager
Education: Master, BS
Years of Experience: 6 years

Organizational Structure:



Arab Orient Insurance Public Shareholding Company

Financial Statements

31 December 2017

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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 2017, 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 2017, 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 2017. 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.

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 95,427,353 for the year ended 31 December 2017.

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 36,927,685 representing 55% 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 2017 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

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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.

Ernst & Young/ Jordan
Amman - Jordan
Mohammad Ibrahim Al-Karaki
License No. 882

Amman – Jordan
25 February 2018

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017	2016
		JD	JD
Assets			
Bank deposits	3	42,693,311	34,766,739
Financial assets at fair value through profit or loss	4	7,387,685	6,573,693
Financial assets at amortized cost	5	2,480,008	1,001,719
Total Investments		**52,561,004**	**42,342,151**
Cash in hands and at banks	6	1,242,338	1,425,299
Checks under collection	7	5,035,226	6,038,339
Accounts receivable, net	8	31,166,615	45,105,374
Reinsurance receivable	9	2,117,281	5,694,692
Deferred income tax assets	10	6,690,252	3,192,956
Property and equipment, net	11	5,071,019	5,102,732
Intangible assets	12	797,415	493,224
Other assets	13	1,317,926	1,118,674
Total Assets		**105,999,076**	**110,513,441**
Liabilities and Equity			
Liabilities –			
Unearned premium reserve, net		15,635,902	16,651,359
Premium deficiency reserve, net		884,000	600,000
Outstanding claims reserve, net		20,407,783	19,574,833
Total Technical Reserves		**36,927,685**	**36,826,192**
Accounts payable	14	12,474,165	14,172,217
Accrued expenses		341,226	224,484
Reinsurance payables	15	20,640,504	24,002,398
Other provisions	16	1,016,768	974,343
Income tax provision	10	-	76,545
Other liabilities	17	215,491	426,492
Deferred tax liabilities	10	55,451	-
Total Liabilities		**71,671,290**	**76,702,671**
Equity –			
Paid in capital	18	21,438,252	21,438,252
Statutory reserve	19	4,683,051	4,683,051
(Accumulate losses) Retained earnings	20	(3,393,517)	7,689,467
Net Shareholders' Equity		**22,727,786**	**33,810,770**
Subordinated loan	28	**11,600,000**	**-**
Total Liabilities and Shareholders' Equity		**105,999,076**	**110,513,441**

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

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STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		JD	JD
Revenue			
Gross written premium		95,427,353	110,205,059
Less: reinsurance share		(58,886,512)	(73,049,938)
Net written premium		**36,540,841**	**37,155,121**
Net change in unearned premium reserve		1,015,457	2,151,516
Net change in Premium deficiency reserve		(284,000)	(600,000)
Net earned premium		**37,272,298**	**38,706,637**
Commissions income		8,201,622	11,007,210
Insurance policies issuance fees		4,030,632	3,507,230
Interest income	21	1,525,567	1,229,836
Profits from financial assets and investments	22	201,272	348,959
Total revenues		**51,231,391**	**54,799,872**
Claims and related expenses			
Paid claims		93,965,336	86,624,780
Less: Recoveries		(3,575,408)	(3,622,265)
Less: Reinsurance share		(42,691,671)	(47,499,909)
Paid claims, net		**47,698,257**	**35,502,606**
Net change in claims reserve		832,950	774,077
Allocated employees' expenses	23	6,165,981	5,404,674
Allocated general and administrative expenses	24	3,244,054	3,754,565
Excess of loss premium		837,915	733,478
Policies acquisition costs		2,255,748	2,465,009
Other expenses		253,865	197,560
Net Claims		**61,288,770**	**48,831,969**
Unallocated employees' expenses	23	1,541,495	1,351,169
Depreciation and amortization	11,12	693,444	648,299
Unallocated general and administrative expenses	24	811,014	938,641
Allowance for doubtful debts	9,8	1,350,000	1,550,000
Gain (loss) from sale of property and equipment		25,543	(1,485)
Other expenses	25	-	35,000
Gross expenses		**4,421,496**	**4,521,624**
(Loss) Profit for the year before tax		**(14,478,875)**	**1,446,279**
Income tax benefits (expenses)	10	3,395,891	(241,719)
(Loss) Profit for the year		**(11,082,984)**	**1,204,560**
		JD/Fils	JD/Fils
Basic and diluted earnings per share	26	(0.516)	0.056

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
		JD	JD
(Loss) Profit for the year		(11,082,984)	1,204,560
Add: other comprehensive income		**-**	**-**
Total comprehensive (loss) income for the year		**(11,082,984)**	**1,204,560**

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Paid in capital	Statutory reserve	Retained (loss) earnings*		Total
			Unrealized	Realized	
	JD	JD	JD	JD	JD
2017 -					
Balance at 1 January 2017	21,438,252	4,683,051	781,005	6,908,462	33,810,770
Total comprehensive (loss) income for the year	-	-	(231,045)	(10,851,939)	(11,082,984)
Balance at 31 December 2017	**21,438,252**	**4,683,051**	**549,960**	**(3,943,477)**	**22,727,786**
2016 -					
Balance at 1 January 2016	21,438,252	4,538,423	849,278	7,388,126	34,214,079
Total comprehensive (loss) income for the year	-	-	(68,273)	1,272,833	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**	**781,005**	**6,908,462**	**33,810,770**

* Retained earnings include an amount of JD 6,690,252 as of 31 December 2017 (2016: JD 3,192,956), representing deferred tax assets that cannot be distributed according to the securities commission instructions.

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 JD	2016 JD
Cash Flows from Operating Activities			
(Loss) Profit for the year before tax		(14,478,875)	1,446,279
Adjustment for non-cash items			
Depreciation and amortization	12,11	693,444	648,299
Allowance for doubtful debt		1,350,000	1,550,000
Loss (gain) from change in fair value of financial assets at fair value through profit or loss		231,045	68,273
Gain on sale of financial assets at fair value through profit or loss		-	(9,854)
Gain (loss) from sale of property and equipment		25,543	(1,485)
End of service indemnity provision	16	269,159	189,674
Net change in outstanding claims reserve		832,950	774,077
Net change in unearned premium reserve		(1,015,457)	(2,151,516)
Net change in premium deficiency reserve		284,000	600,000
Cash flows (used in)from operating activities before changes in working capital		**(11,808,191)**	**3,113,747**
Checks under collection		1,003,113	(1,031,255)
Accounts receivable		12,435,737	(7,395,795)
Reinsurers' receivable		3,730,433	(1,829,187)
Other assets		(199,253)	(43,730)
Accounts payable		(1,698,052)	4,358,375
Accrued expenses		116,742	(46,446)
Reinsurers' payable		(3,361,894)	5,532,181
Other liabilities	16	(211,001)	8,948
(Paid) end of service Indemnity		(226,734)	(217,938)
Net cash flows (used in) from operating activities before tax		**(219,099)**	**2,448,900**
Income tax paid	10	(122,499)	(1,925,829)
Net cash flows from operating activities		**(341,598)**	**523,071**
Cash Flows from Investing Activities			
Deposits at banks maturing after three months		(7,926,572)	583,491
(Purchase) of financial assets at fair value through profit or loss		(1,045,038)	(487,438)
(Purchase) of intangible assets		(527,333)	(54,858)
Proceeds from sale of financial assets at fair value through profit or loss		-	364,730
(Purchase) of financial assets at amortized cost to maturing date		(1,485,732)	(1,000,719)
(Purchase) of property and equipment		(479,473)	(311,242)
Proceeds from interest on treasury bonds/Kingdom of Bahrain		7,443	-
Proceeds from sale of property and equipment		15,341	2,501
Net cash flows used in investing activities		**(11,441,364)**	**(903,535)**
Cash Flows from Financing Activities			
Cash dividends		-	(1,607,869)
Subordinated loan		11,600,000	-
Net cash flow used in financing activities		**11,600,000**	**(1,607,869)**
Net decrease in cash and cash equivalent		**(182,961)**	**(1,988,333)**
Cash and cash equivalents at beginning of the year		1,425,299	3,413,632
Cash and cash equivalents at the end of the year	27	**1,242,338**	**1,425,299**

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE

FOR THE YEAR ENDED 31 DECEMBER 2017

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium:																
Direct insurance	23,761,512	23,192,794	740,897	2,731,986	16,733	9,208	7,611,885	8,067,065	920,595	872,503	55,351,793	66,895,086	4,773,338	4,251,170	93,176,753	106,019,812
Reinsurance inward business	1,067,398	1,220,114	(1,561)	37,804	-	45,609	1,142,416	2,517,463	2,031	167,954	-	-	40,316	196,303	2,250,600	4,185,247
Total Premium	**24,828,910**	**24,412,908**	**739,336**	**2,769,790**	**16,733**	**54,817**	**8,754,301**	**10,584,528**	**922,626**	**1,040,457**	**55,351,793**	**66,895,086**	**4,813,654**	**4,447,473**	**95,427,353**	**110,205,059**
Less:																
Local reinsurance share	1,416,465	1,567,416	10,005	39,923	-	45,609	1,305,765	2,451,718	(59)	166,264	-	-	145,457	465,317	2,877,633	4,736,247
Foreign reinsurance share	433,131	248,382	411,324	2,317,904	16,733	9,208	6,354,520	7,009,673	731,632	704,412	44,399,893	54,850,757	3,661,646	3,173,355	56,008,879	68,313,691
Net Written Premium	**22,979,314**	**22,597,110**	**318,007**	**411,963**	**-**	**-**	**1,094,016**	**1,123,137**	**191,053**	**169,781**	**10,951,900**	**12,044,329**	**1,006,551**	**808,801**	**36,540,841**	**37,155,121**
Add:																
Balance at the beginning of the year																
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	-
Less:																
Balance at year end																
Unearned premium reserve	10,441,001	10,578,885	171,415	1,048,368	6,990	11,495	5,370,037	6,453,742	364,925	478,225	16,692,507	26,679,131	1,538,037	1,556,356	34,584,912	46,806,202
Less : Reinsurance share	766,354	824,107	91,329	962,102	6,990	11,495	4,892,854	6,039,154	299,056	409,182	11,610,763	20,645,653	1,281,664	1,263,150	18,949,010	30,154,843
Unearned Premiums Reserve- net	**9,674,647**	**9,754,778**	**80,086**	**86,266**	**-**	**-**	**477,183**	**414,588**	**65,869**	**69,043**	**5,081,744**	**6,033,478**	**256,373**	**293,206**	**15,635,902**	**16,651,359**
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	600,000	-	-	884,000	600,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	600,000	-	-	884,000	600,000
Net: Earned revenue from written Premium	**23,059,445**	**23,126,847**	**324,187**	**465,059**	**-**	**-**	**1,031,421**	**1,168,445**	**194,227**	**186,368**	**11,619,634**	**12,892,227**	**1,043,384**	**867,691**	**37,272,298**	**38,706,637**

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2017

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	**21,657,731**	**19,700,315**	**360,498**	**276,729**	**-**	**-**	**7,177,426**	**2,648,928**	**52,121**	**64,941**	**64,012,883**	**62,022,072**	**704,677**	**1,911,795**	**93,965,336**	**86,624,780**
Less:																
Recoveries	3,451,488	3,450,321	-	-	-	-	112,263	128,249	4,970	10,281	-	-	6,687	33,414	3,575,408	3,622,265
Local reinsurance share	42,850	147,300	-	-	-	-	303,500	230,254	-	448	-	-	30,817	59,256	377,167	437,258
Foreign reinsurance share	2,689	71,166	243,529	175,620	-	-	6,274,730	1,877,207	5,521	9,558	35,461,758	43,397,387	326,277	1,531,713	42,314,504	47,062,651
Net Paid Claims	**18,160,704**	**16,031,528**	**116,969**	**101,109**	**-**	**-**	**486,933**	**413,218**	**41,630**	**44,654**	**28,551,125**	**18,624,685**	**340,896**	**287,412**	**47,698,257**	**35,502,606**
Add:																
Outstanding Claims Reserve at year end																
Reported	15,346,137	13,634,307	279,437	161,363	-	-	2,643,446	9,716,371	328,361	227,533	4,731,485	8,580,203	1,759,884	1,995,896	25,088,750	34,315,673
Unreported	2,600,000	3,000,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,513,125	4,707,987	170,000	170,000	7,533,125	8,127,987
Less																
Reinsurance share from reported claims	1,188,029	958,800	164,697	111,573	-	-	2,228,545	9,168,983	163,780	109,820	2,867,547	6,510,537	1,360,744	1,553,524	7,973,342	18,413,237
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	3,006,228	3,572,354	-	-	3,006,228	3,572,354
Recoveries	1,234,462	883,236	-	-	-	-	-	-	-	-	-	-	-	-	1,234,462	883,236
Net Outstanding Claims Reserve at year end	15,523,646	14,792,271	134,740	69,790	-	-	614,901	747,388	194,581	147,713	3,370,775	3,205,299	569,140	612,372	20,407,783	19,574,833
Less:																
Net Outstanding Claims Reserve at the beginning of the year																
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
Reinsurance share from reported	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
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	3,572,354	2,863,591	-	-	3,572,254	2,863,591
Recoveries	883,236	763,720	-	-	-	-	-	-	-	-	-	-	-	-	883,236	763,720
Net Outstanding Claims Reserve at the beginning of the year	**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**
Net Claims Cost	**18,892,079**	**16,904,340**	**181,919**	**63,698**	**-**	**-**	**354,446**	**529,934**	**88,498**	**151,553**	**28,716,601**	**18,383,481**	**297,664**	**243,677**	**48,531,207**	**36,276,683**

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2017

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premium	**23,059,445**	**23,126,847**	**324,187**	**465,059**	**-**	**-**	**1,031,421**	**1,168,445**	**194,227**	**186,368**	**11,619,634**	**12,892,227**	**1,043,384**	**867,691**	**37,272,298**	**38,706,637**
Less:																
Net claims cost	18,892,079	16,904,340	181,919	63,698	-	-	354,446	529,934	88,498	151,553	28,716,601	18,383,481	297,664	243,677	48,531,207	36,276,683
	4,167,366	6,222,507	142,268	401,361	-	-	676,975	638,511	105,729	34,815	(17,096,967)	(5,491,254)	745,720	624,014	(11,258,909)	2,429,954
Add:																
Commissions received	101,810	70,000	286,977	457,559	1,122	962	1,074,654	1,189,457	150,077	144,591	5,710,138	8,332,512	876,844	812,129	8,201,622	11,007,210
Insurance policies issuance fees	779,275	543,683	46,090	84,664	1,089	785	266,745	228,168	22,693	28,844	2,767,279	2,479,672	147,461	141,414	4,030,632	3,507,230
Total revenue	**5,048,451**	**6,836,190**	**475,335**	**943,584**	**2,211**	**1,747**	**2,018,374**	**2,056,136**	**278,499**	**208,250**	**(8,619,550)**	**5,320,930**	**1,770,025**	**1,577,557**	**973,345**	**16,944,394**
Less:																
Commissions paid	875,893	848,365	11,948	262,252	-	-	196,009	226,055	20,632	18,799	902,351	811,991	248,915	297,547	2,255,748	2,465,009
Excess of loss premium	214,865	287,098	88,582	75,235	-	-	359,685	257,032	-	-	-	-	174,783	114,113	837,915	733,478
Allocated general and administrative expenses	2,448,364	2,028,978	72,905	230,200	1,650	4,556	863,256	879,689	90,980	86,473	5,458,208	5,559,709	474,672	369,634	9,410,035	9,159,239
Other expenses	-	-	3,312	3,960	-	-	10,908	12,720	-	-	235,569	177,936	4,076	2,944	253,865	197,560
Total Expenses	**3,539,122**	**3,164,441**	**176,747**	**571,647**	**1,650**	**4,556**	**1,429,858**	**1,375,496**	**111,612**	**105,272**	**6,596,128**	**6,549,636**	**902,446**	**784,238**	**12,757,563**	**12,555,286**
Underwriting profit (loss)	**1,509,329**	**3,671,749**	**298,588**	**371,937**	**561**	**(2,809)**	**588,516**	**680,640**	**166,887**	**102,978**	**(15,215,678)**	**(1,228,706)**	**867,579**	**793,319**	**(11,784,218)**	**4,389,108**

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

Chairman of the Board of Directors

Deputy Chief Executive Officer

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

(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 several times; most recently during 2015 so that the authorized and paid in capital reached to 21,438,252 JD divided into 21,438,252 shares with a par value of JD 1 each.

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

The Company is 90.45% owned by Gulf Insurance Company.

The number of the Company's employees was 356 as of 31 December 2017 (2016: 345).

The financial statements for the year 2017 were approved by the Board of Directors in its meeting No. (1) 13 February 2018.

(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 2016 except for the adoption of new amendments effective as of 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's financial statements.

Accounting policies

The following are the major accounting policies applied:

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 chief operating decision maker.

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

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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

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.

The remaining financial assets which do not meet the conditions of the financial assets at amortized cost, measured as financial assets at fair value.

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 loss is recognized in the income statement. Any recoveries in the future resulting from previously recognized impairement is credited to the income statement.

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 reinsurers are accounted for based on accrual basis.

Reinsurance

The Company engages within its normal activities in a variety of inward and outward reinsurance operations with other insurance and reinsurance Companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties does not eliminate the Company's liability towards policy holders, where in the case the reinsurance fails to cover its share of total liability, the Company bears the total loss, therefore the Company provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Company's share of total liability for each claim.

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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 reinsurers.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except land) are 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 are put in use.
Property and equipment under construction are stated at cost less impairment loss.

Assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the statement of income.
The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of income.

Any item of property and equipment derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 as per the applicable accounting policies to evaluate each based on their respective class reaction.

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 are classified based on either its estimated usual economic lives or indianite useful lives.
Intangible assets with finite lives are amortized over the useful economic lives, and is in the income statement 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 and any impairment is taken to the income statement

Internally generated intangible assets are not capitalized and are expensed in the statement of income in the respective accounting period.

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.

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A- Technical Reserves

Technical reserves are provided for in accordance with 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. Premium deficiency reserve and 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 these may result from events occurred before the end or the fiscal year and of which have not been updated to 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, There allowance is measured after monitoring the receivables in details and all receivables aging one year and above is provided for provision at 100% rate.

C- End of service indemnity reserve

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

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

Liability adequacy test

At each statement of financial position date the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the statement of income.

Income Tax

Income tax represents current and deferred income tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income. The taxable income differs from the actual income in the statement of income because the accounting income contains expenditures and revenues that are not tax deductible in the current year but in the preceding years or the accepted accumulated losses or any other not deductibles for tax purposes.

The taxes are calculated based on enacted tax percentages which are stated by laws and regulation in the Hashemite Kingdom of Jordan.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to allow all or part of deferred tax asset to be utilized.

Offsetting

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

Revenue recognition

A- Insurance policies

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements.

Claims expenses are recognized in the statement of income based on the expected claim value to compensate other parties.

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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.
Non-financial assets and non-monetary liabilities demimonde in foreign currencies at fair value are translated at the date of the determined fair value.
Translation gains or losses on non-monetary items are recorded as part of change in fair value.

Use of Estimates

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.

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- 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:

	2017		2016
	Deposits matured between 6 months - 1 Year	Total	Total
	JD	JD	JD
Inside Jordan	42,693,311	42,693,311	34,766,739
Total	**42,693,311**	**42,693,311**	**34,766,739**

The annual interest rate on the deposits in Jordanian Dinar ranged between 4% to 5.25% during the year 2017 and between 3% to 3.9% during the year 2016.

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 2017 and 31 December 2016.

Below is the distribution of the Company's deposits:

	2017	2016
	JD	JD
Jordan Kuwait Bank	16,167,622	5,822,562
Capital Bank	2,132,567	2,044,441
Audi Bank	2,139,169	2,064,991
Societe Generale Bank	-	2,916,759
Blom Bank	2,611,537	2,515,598
AlEtihad Bank	2,942,987	2,845,615
Jordan Commercial Bank	5,275,408	2,135,476
Arab Banking Corporation Bank	3,432,933	6,203,107
Ahli Bank	4,991,088	8,218,190
Bank of Jordan	3,000,000	-
Total	**42,693,311**	**34,766,739**

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

This item consists of the following:

	Number of shares	2017	2016
Listed Shares	shares	JD	JD
Cairo Amman Bank	553,581	830,371	1,024,125
Afaq for Energy Company	1,140,147	2,667,944	2,622,338
Afaq for Investment and Real Estate Development	1,541,500	2,589,720	2,497,230
Dar Al Dawa Development and Investment	695,000	1,299,650	430,000
Total financial assets at fair value through profit or loss inside Jordan		**7,387,685**	**6,573,693**

(5) Financial Assets at Amortized Cost

This item consists of the following:

	Number of shares	2017	2016
		JD	JD
Inside Jordan -			
Unlisted Bonds:			
Arab Real Estate Development Company*	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - unlessted		1,000	1,000
Listed Bonds:			
Treasury Bonds/the Hashemite kingdom of Jordan**	1330	952,134	-
Total financial assets at amortized cost inside Jordan		**953,134**	**1,000**
Outside Jordan			
Treasury Bonds/ Kingdom of Bahrain Government***	715	531,939	-
Sovereign Bonds/ Kingdom of Bahrain Government****	1,315	994,935	1,000,719
Net financial assets at amortized cost		**1,526,874**	**1,000,719**
Total financial assets at amortized cost		**2,480,008**	**1,001,719**

* These Bonds matured on April 1st, 2011 at fixed annual interest rate of 10%. Interest is paid every six months on October 1st and April 1st of each year, the first payment was on October 1st 2008. The Board of Directors approved in its meeting number (2) held on March 24th, 2011 the published amended draft prospectus that was approved by the General Assembly of the Bonds owners on March 28th, 2011. The prospectus includes extending the maturity date of these Bonds to April 1st, 2015 and amending the interest rate to become a fixed annual interest rate of 11%, to be paid semiannually on October 1st, and April 1st each year starting from

October 1st 2011. The Company did not collect or record any interest from these Bonds after the prospectus was modified.
Following the decision of the General Assembly of the Bonds owners in its meeting held on October 26th, 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 31st December 2017.

** Treasury Bonds / the Hashemite kingdom of Jordan are due on 31st January 2027 and bear a 5.75% interest rate and are repayable in equal installment rate and on 31st January and 31st of July until the maturity date or the Bonds.

*** Treasury Bonds / kingdom of Bahrain are due on 12th of October 2028 and bear on interest rate of 7% and are repayable in equal installment on 12th of October and 12th of April until the maturity date or the Bonds.

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

(6) Cash In Hand And at banks

This item consists of the following:

	2017	2016
	JD	JD
Cash in hand	19,176	20,619
Current accounts at banks	1,223,162	1,404,680
Total	**1,242,338**	**1,425,299**

(7) Checks Under Collection

This item consists of the following:

	2017	2016
	JD	JD
Checks under collection due within six months	4,412,751	5,380,148
Checks under collection due within more than six months up to one year	622,475	658,191
Total	**5,035,226**	**6,038,339**

Due dates of checks under collection extend to 31st December 2018.

(8) Accounts receivable, Net

This item consists of the following:

	2017	2016
	JD	JD
Policy holders *	35,261,120	47,945,633
Brokers receivables	2,147,649	1,633,200
Employee receivables	97,585	122,693
Other	601,214	841,779
	38,107,568	50,543,305
Less: Provision for doubtful debts**	(6,940,953)	(5,437,931)
Net accounts receivable	**31,166,615**	**45,105,374**

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	20,416,709	5,484,479	3,543,518	1,722,409	31,166,615
31 December 2015	27,188,018	14,411,980	2,269,475	1,235,901	45,105,374

* Includes scheduled payment amounted to JD 20,416,709 as of 31st December 2017 (JD 27,188,018 as of 31st December 2016).

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

	2017	2016
	JD	JD
Balance at the beginning of the year	5,437,931	3,887,931
Additions	1,350,000	1,550,000
Transferred to provision for doubtful debts	153,022	-
Balance at the end of the year	**6,940,953**	**5,437,931**

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(9) Reinsurance Receivables, Net

This item consists of the following:

	2017	2016
	JD	JD
Local insurance companies	1,613,968	2,251,228
Foreign reinsurance companies	887,360	3,980,533
	2,501,328	**6,231,761**
Less: Provision for doubtful debt for reinsurance receivables	(384,047)	(537,069)
Net reinsurance receivables	**2,117,281**	**5,694,692**

* 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
31st December 2017	949,152	401,960	766,169	2,117,281
31st December 2016	4,471,154	728,101	495,437	5,694,692

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

	2017	2016
	JD	JD
Balance at the beginning of the year	537,069	537,069
Additions	-	-
Transferred to provision for doubtful debts	(153,022)	-
Balance at end of the year	384,047	537,069

(10) Income tax

Income tax provision

The movement on the income tax provision is as follows:

	2017	2016
	JD	JD
Balance at beginning of the year	76,545	1,357,805
Income tax paid	(122,499)	(1,864,420)
Prior years income tax	45,954	-
Income tax paid in advance	-	(61,409)
Income tax expense for the year	-	644,569
Balance at the end of the year	**-**	**76,545**

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

	2017	2016
	JD	JD
Income tax for the year	-	644,569
Deferred tax assets	(3,497,296)	(395,967)
Deferred tax liabilities	55,451	(6,883)
Prior years income tax	45,954	-
Total	**(3,395,891)**	**241,719**

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

	2017	2016
	JD	JD
(Loss) Accounting profit	(14,478,875)	1,446,279
Not deductible expenses	(550,971)	1,963,272
Non taxable income	2,482,331	(725,329)
(Loss) Taxable profit	(12,547,515)	2,684,222
Effective income tax rate	-	16%
Income tax rate	24%	24%

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

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

A provision for income tax for the year ended 31st December 2017 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 31st December 2017 is adequate.

According to the income tax law a tax rate of 24% was used to calculate the income tax as of 31st December 2017.

Deferred tax assets/ liabilities

This item consists of the following:

	2017					2016
	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	5,975,000	1,350,000	-	7,325,000	1,758,000	1,434,000
Impairment loss on financial assets	1,199,000	-	-	1,199,000	287,760	287,760
Provision for incurred but not reported claims, net	4,555,633	348,127	-	4,903,760	1,176,903	1,093,353
Provision for end of service indemnity	974,343	269,159	(226,734)	1,016,768	244,025	233,843
Premium deficiency reserve, net	600,000	284,000	-	884,000	212,160	144,000
Loss for the year	-	12,547,515	-	12,547,515	3,011,404	-
Total	**13,303,976**	**14,798,801**	**(226,734)**	**27,876,043**	**6,690,252**	**3,192,956**

B. Deferred tax liabilities						
Unrealized gain from financial assets at fair value through P&L	-	231,045	-	231,045	55,451	-
Total	**-**	**231,045**	**-**	**231,045**	**55,451**	**-**

* Movement on deferred tax asset and deferred tax liabilities consists of the following:

	Liabilities		Assets	
	2017	2016	2017	2016
	JD	JD	JD	JD
Beginning balance	-	6,883	3,192,956	2,796,989
Additions	55,451	(6,883)	3,497,296	395,967
Ending balance	**55,451**	**-**	**6,690,252**	**3,192,956**

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(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 2017							
Cost							
Balance at the beginning of the year	1,545,000	2,575,000	910,808	1,269,605	1,317,460	512,300	8,130,173
Additions	-	-	28,633	357,520	93,320	-	479,473
Disposals	-	-	(20,851)	(52,469)	(60,326)	(28,000)	(161,646)
Balance at the end of the year	1,545,000	2,575,000	918,590	1,574,656	1,350,454	484,300	8,448,000
Accumulated depreciation							
Balance at the beginning of the year	-	326,167	668,891	928,536	825,124	278,723	3,027,441
Additions	-	51,500	93,020	117,132	144,431	64,219	470,302
Disposals	-	-	(20,823)	(41,610)	(34,529)	(23,800)	(120,762)
Balance at the end of the year	-	377,667	741,088	1,004,058	935,026	319,142	3,376,981
Net book value	**1,545,000**	**2,197,333**	**177,502**	**570,598**	**415,428**	**165,158**	**5,071,019**
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**

Property and equipment include fully depreciated items amounting to JD 2,117,343 JD as 31st December 2017 (1,631,647 as at 31st December 2016), which are still being used up to the date of the financial statements.

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(12) Intangible Assets

	2017	2016
	JD	JD
Balance at the beginning of the year	493,224	581,278
Additions	527,333	54,858
Amortization	(223,142)	(142,912)
Balance at the end of the year	**797,415**	**493,224**

(13) Other Assets

This item consists of the following:

	2017	2016
	JD	JD
Income tax paid on interest income	64,257	-
Accrued revenues	496,438	358,676
Prepaid expenses	234,075	228,118
Refundable deposits	479,113	467,191
Medical tools for claims	44,043	64,689
Total	**1,317,926**	**1,118,674**

(14) Accounts Payable

This item consists of the following:

	2017	2016
	JD	JD
Agents' payables	1,043,245	992,309
Employees payables	17,398	19,211
Garages' payable	1,221,251	859,953
Medical network payables	5,689,563	7,739,572
Trade and companies' payables	4,502,708	4,561,172
Total	**12,474,165**	**14,172,217**

(15) Reinsurers' Payables

This item consists of the following:

	2017	2016
	JD	JD
Local insurance companies	223,062	26,564
Foreign reinsurance companies	20,417,442	23,975,834
Total	**20,640,504**	**24,002,398**

(16) Other Provisions

This item consists of the following:

	2017	2016
	JD	JD
Provision for end of service indemnity	1,016,768	974,343
Total	**1,016,768**	**974,343**

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	974,343	269,159	(226,734)	1,016,768
Total	**974,343**	**269,159**	**(226,734)**	**1,016,768**

(17) Other Liabilities

This item consists of the following:

	2017	2016
	JD	JD
Board of Directors' remuneration	-	35,000
Due to shareholders – subscription refunds	24,902	24,902
Stamps withholdings	104,346	124,113
Sales tax withholdings	35,891	175,380
Income tax withholdings	50,352	67,097
Total	**215,491**	**426,492**

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(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 31st December 2017 (JD 21,438,252 shares of JD 1 each as of 31st December 2016).

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

(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

The item consists of the following:

	2017	2016
	JD	JD
Beginning balance	7,689,467	8,237,404
Profit (loss) for the year	(11,082,984)	1,204,560
Less:		
Cash dividends	-	1,607,869
Deducted reserves	-	144,628
Ending balance of the year	**(3,393,517)**	**7,689,467**

(21) Interest Income

This item consists of the following:

	2017	2016
	JD	JD
Interest on bank deposits	1,394,063	1,203,605
Interest from financial assets at amortized cost	131,504	26,231
Total	**1,525,567**	**1,229,836**
Amount transferred to underwriting accounts	-	-
Amount transferred to statement of income	1,525,567	1,229,836

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

This item consists of the following:

	2017	2016
	JD	JD
Cash dividends received (financial assets at fair value through profit or loss)	432,317	407,378
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	(231,045)	(68,273)
Total	**201,272**	**348,959**
Amount transferred to underwriting accounts	-	-
Amount transferred to statement of income	201,272	348,959

(23) Employee Expenses

This item consists of the following:

	2017	2016
	JD	JD
Salaries and bonuses	6,545,040	5,723,149
End of service indemnity	269,159	189,674
Social security contribution	687,341	573,313
Medical expenses	43,474	42,602
Travel and transportation	146,657	207,128
Training and employees development	15,805	19,977
Total	**7,707,476**	**6,755,843**
Allocated employee expenses to the underwriting accounts	6,165,981	5,404,674
Unallocated employee expenses to the underwriting accounts	1,541,495	1,351,169

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(24) General and Administrative Expenses

This item consists of the following:

	2017	2016
	JD	JD
Rent expense	388,296	251,528
Stationery and printing	306,884	919,465
Advertisements	412,515	619,979
Bank interest and commission expenses	82,132	90,480
Water, electricity and heating	146,672	160,539
Maintenance expense	272,214	127,712
Postage and telecommunications	357,749	370,160
Building management fees	69,045	67,982
Hospitality	63,937	88,790
Legal fees and expenses	204,854	145,111
Subscriptions	47,092	55,876
Tenders expenses	165,827	199,642
Insurance commission fees	712,613	758,310
Government fees and other fees	71,604	51,970
Donations	7,530	14,420
Insurance expenses	51,473	47,090
Cleaning expense	47,973	49,869
Professional fees	23,000	23,000
Board members bonuses and transportation fees	100,400	100,400
Vehicles expenses	45,841	40,993
Collections fees	106,881	119,760
Technical consulting fees	77,984	86,116
Orange card fees	750	2,750
Board members committee	4,400	8,800
Others	287,402	292,464
Total	**4,055,068**	**4,693,206**
Allocated general & administrative expenses to the underwriting accounts	3,244,054	3,754,565
Unallocated general and administrative expenses to the underwriting accounts	811,014	938,641

(25) Other Expenses

This item consists of the following:

	2017	2016
	JD	JD
Board of directors' remunerations	-	35,000

(26) Basic and Diluted Earnings Per Share

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

	2017	2016
Profit (loss) for the year (Dinars)	(11,082,984)	1,204,560
Weighted average number of shares (Shares)	21,438,252	21,438,252
	JD/Fils	**JD/Fils**
Basic and diluted earnings per share from the year's (loss) income	**(0.516)**	**0.056**

(27) Cash and Cash Equivalents

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

	2017	2016
	JD	JD
Cash in hand and at banks	1,242,338	1,425,299
Add: deposits at banks	42,693,311	34,766,739
Less: deposits at banks mature within the period of more than three months	(42,468,311)	(34,541,739)
Less: restricted deposits to the insurance commission (Note 3)	(225,000)	(225,000)
Net Cash and cash equivalents	**1,242,338**	**1,425,299**

(28) Subordinated loan

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

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(29) Related Party Transactions

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as of 31st, December 2017.

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

	2017		2016
	Top Executive Management	Total	Total
	JD	JD	JD
Statement of Financial Position Items:			
Time deposits	-	-	5,822,562
Overdraft account - credit balance	-	-	354,383
Current account	-	-	934,699
Deposits on letters of guarantee	-	461,314	449,441
Accounts receivable	2,062	2,062	9,740
Off-statement of Financial Position Items:			
Letters of guarantee	-	4,613,148	4,494,410
Statement of Income Items :			
Bank interest income	-	-	200,330
Insurance	13,994	13,994	1,704,553
Bank expenses and commissions – debit	-	-	162,370
Salaries	856,411	856,411	786,992
Bonuses	222,977	222,977	280,674
Transportation expenses for members of the Board of Directors	50,400	50,400	50,400
Bonus expenses for members of the Board of Directors	50,000	50,000	85,000
Bonus of Directors committees bonus	4,400	4,400	8,800

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 to company's credit balance amounted to JD 401,777 as of 31st December 2017.

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

	2017	2016
	JD	JD
Salaries and bonuses	1,079,388	1,067,666
Total	**1,079,388**	**1,067,666**

(30) 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 2017 and 2016.

(31) 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

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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, Mecca St., Al Abdali branch 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:

Gross - Motor Insurance:

The accident year	2013 and before	2014	2015	2016	2017	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	112,492,348	19,652,726	18,012,620	19,143,977	22,445,706	-
After one year	114,015,434	21,856,521	19,890,110	21,376,088	-	-
After two years	114,896,666	21,827,478	20,214,938	-	-	-
After three years	114,246,006	19,038,658	-	-	-	-
After four years	114,256,353	-	-	-	-	-
Present expectation for the accumulated claims	114,256,353	19,038,658	20,214,938	21,376,088	22,445,706	197,331,743
Accumulated claims	112,682,634	18,049,305	18,290,766	18,550,965	13,046,396	180,620,067
Liability as in the statement of financial position outstanding claims	1,573,719	989,352	1,924,172	2,825,122	9,399,310	16,711,675
Reported	1,573,719	989,352	1,924,172	2,825,122	6,799,310	14,111,675
Unreported	-	-	-	-	2,600,000	2,600,000
(Deficit) surplus in the preliminary estimate for reserve	**(1,764,005)**	**614,068**	**(2,202,318)**	**(2,232,111)**	**-**	**(6,196,421)**

Gross – Marine

The accident year	2013 and before	2014	2015	2016	2017	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	2,520,737	70,096	163,518	147,070	446,633	-
After one year	2,567,394	498,060	244,351	222,839	-	-
After two years	2,624,800	533,740	244,772	-	-	-
After three years	2,618,800	533,740	-	-	-	-
After four years	2,633,467	-	-	-	-	-
Present expectation for the accumulated claims	2,633,467	533,740	244,772	222,838	446,633	4,081,450
Accumulated payments	2,557,117	523,740	231,527	219,488	250,141	3,782,013
Liability as in the statement of financial position	76,350	10,000	13,245	3,350	196,492	299,437
Reported	76,350	10,000	13,245	3,350	176,492	279,437
Unreported	-	-	-	-	20,000	20,000
(Deficit) in the preliminary estimate for reserve	**(122,730)**	**(463,644)**	**(81,254)**	**(75,768)**	**-**	**(743,396)**

Gross - fire and property:

The accident year	2013 and before	2014	2015	2016	2017	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	10,220,481	10,640,217	1,131,955	1,075,672	500,132	-
After one year	11,913,013	10,275,215	10,430,908	2,040,451	-	-
After two years	11,980,147	10,090,121	9,078,299	-	-	-
After three years	11,941,180	10,107,656	-	-	-	-
After Four years	11,913,137	-	-	-	-	-
Present expectation for the accumulated claims	11,913,137	10,107,656	9,078,299	2,040,451	500,132	33,639,675
Accumulated payments	11,225,264	9,502,449	7,932,920	1,904,072	231,524	30,796,229
Liability as in the statement of financial position Outstanding claims	687,873	605,207	1,145,379	136,379	268,608	2,843,446
Reported	687,873	605,207	1,145,379	136,379	68,608	2,643,446
Unreported	-	-	-	-	200,000	200,000
Surplus (Deficit) in the preliminary estimate for reserve	**(1,692,656)**	**532,561**	**(7,946,344)**	**(963,779)**	**-**	**(10,070,218)**

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Gross – Liability

The accident year	2013 and before	2014	2015	2016	2017	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	527,866	77,083	43,750	224,142	134,599	-
After one year	673,331	149,136	97,696	234,328	-	-
After two years	724,082	152,739	97,696	-	-	-
After three years	734,624	151,894	-	-	-	-
After four years	771,287	-	-	-	-	-
Present expectation for the accumulated claims	771,287	151,894	97,696	234,328	134,599	1,389,804
Accumulated payments	586,539	148,719	76,741	188,034	31,410	1,031,443
Liability as in the statement of financial position	184,748	3,175	20,955	46,294	103,189	358,361
Reported	184,748	3,175	20,955	46,294	73,189	328,361
Unreported	-	-	-	-	30,000	30,000
(Deficit) in the preliminary estimate for reserve	**(243,421)**	**(74,811)**	**(53,946)**	**(10,186)**	**-**	**(382,364)**

Gross – Medical

The accident year	2013 and before	2014	2015	2016	2017	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	-	-	-	-	9,244,610	-
After one year	-	-	-	-	-	-
After two years	-	-	-	-	-	-
After three years	-	-	-	-	-	-
After four years	-	-	-	-	-	-
Present expectation for the accumulated claims	-	-	-	-	9,244,610	9,244,610
Accumulated payments	-	-	-	-	-	-
Liability as in the statement of financial position	-	-	-	-	9,244,610	9,244,610
Reported	-	-	-	-	4,731,485	4,731,485
Unreported	-	-	-	-	4,513,125	4,513,125
Surplus (deficit) in the preliminary estimate for reserve	**-**	**-**	**-**	**-**	**-**	**-**

Gross – Others

The accident year	2013 and before	2014	2015	2016	2017	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	9,747,388	653,581	253,976	394,475	348,264	-
After one year	12,068,623	1,223,132	502,229	460,570	-	-
After two years	12,539,751	1,226,266	487,649	-	-	-
After three years	12,469,121	1,235,249	-	-	-	-
After four years	12,501,997	-	-	-	-	-
Present expectation for the accumulated claims	12,501,997	1,235,249	487,649	460,570	348,264	15,033,729
Accumulated payments	11,001,096	1,210,099	275,381	397,445	219,824	13,103,845
Liability as in the statement of financial position	1,500,901	25,150	212,268	63,125	128,440	1,929,884
Reported	1,500,901	25,150	212,268	63,125	(41,560)	1,759,884
Unreported	-	-	-	-	170,000	170,000
(Deficit) in the preliminary estimate for reserve	**(2,754,609)**	**(581,668)**	**(233,673)**	**(66,095)**	**-**	**(3,636,045)**

3. Insurance Risk Concentrations

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

	2017		2016	
Insurance types	**Net**	**Gross**	**Net**	**Gross**
	JD	JD	JD	JD
Motor	25,198,293	28,387,138	24,547,049	26,329,956
Marine	214,826	470,852	156,056	1,229,731
Aviation	-	6,990	-	11,495
Liability	260,450	723,286	216,056	735,758
Fire and properties	1,092,084	8,213,483	1,161,976	16,370,113
Medical	9,336,519	26,821,117	9,838,777	39,967,321
Other	825,513	3,467,921	906,278	3,733,747
Total	**36,927,685**	**68,090,787**	**36,826,192**	**88,378,121**

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.

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The geographical distribution is as follows:

	2017			2016		
	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	100,979,596	53,759,384	4,613,148	97,919,021	55,517,673	4,494,410
Other Middle East Countries	4,389,650	8,485,219	-	9,513,985	11,925,676	-
Europe	498,801	9,273,109	-	2,989,491	9,165,458	-
Asia*	110,391	91,654	-	63,950	66,105	-
Africa*	20,638	61,924	-	26,994	27,759	-
Total	**105,999,076**	**71,671,290**	**4,613,148**	**110,513,441**	**76,702,671**	**4,494,410**

* Excluding Middle East countries.

	2017			2016		
	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	13,915,164	12,148,614	2,767,800	16,683,157	10,343,557	2,740,312
Private Sector:						
Companies and corporations	88,351,542	57,028,791	1,845,348	89,604,884	63,476,774	1,754,098
Individuals	3,732,370	2,493,885	-	4,225,400	2,882,340	-
Total	**105,999,076**	**71,671,290**	**4,613,148**	**110,513,441**	**76,702,671**	**4,494,410**

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

	2017			2016		
	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	-	67,016,787	-	-	88,378,121	-
Other Middle East Countries	-	-	-	-	-	-
Europe	24,596,678	-	-	24,233,882	-	-
Asia*	12,331,007	-	-	12,592,310	-	-
Africa*	-	-	-	-	-	-
Total	**36,927,685**	**67,016,787**	-	**36,826,192**	**88,378,121**	-

* 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	2,482,891	2,305,945	1,752,518
Marine	10	73,934	32,419	24,639
Aviation	10	1,673	-	-
Fire	10	875,430	103,142	78,388
Liability	10	92,263	19,423	14,761
Medical	10	5,535,179	1,161,963	883,091
Others	10	481,365	104,338	79,297
Total		**9,542,735**	**3,727,230**	**2,832,694**

* 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	2,165,773	1,889,208	1,435,798
Marine	10	36,050	18,192	13,826
Aviation	10	-	-	-
Fire	10	717,743	35,445	26,938
Liability	10	5,212	8,850	6,726
Medical	10	6,401,288	2,871,660	2,182,462
Others	10	70,468	29,766	22,622
Total		**9,396,534**	**4,853,121**	**3,688,372**

* Net after deducting income tax effect.

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

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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 2017. The interest rate on bank deposits ranged from 4% to 5.250% 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			
	2017	2016	2017	2016
	JD	JD	JD	JD
Increase (decrease) in profit for the year	213,466	173,834	(213,466)	(173,834)
Shareholders' equity	213,466	173,834	(213,466)	(173,834)

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 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			
	2017	2016	2017	2016
	JD	JD	JD	JD
Increase (decrease) in profit for the year	12,395	5,009	(12,395)	(5,009)
Shareholders' equity	12,395	5,009	(12,395)	(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	2017	2016	2017	2016
US Dollar	372,777	1,267,378	264,299	898,571

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

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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 20017 -							
Liabilities:							
Accounts payables	4,000,000	3,500,000	2,500,000	2,000,000	474,165	-	12,474,165
Accrued expenses	341,226	-	-	-	-	-	341,226
Reinsurance payables	3,000,000	5,000,000	4,500,000	8,000,000	140,504	-	20,640,504
Other provisions	-	-	-	-	-	1,016,768	1,016,768
	-	-	-	-	55,451	-	55,451
Other payables							
Deferred tax liabilities	154,698	35,891	-	-	-	24,902	215,491
Total liabilities	**7,495,924**	**8,535,891**	**7,000,000**	**10,000,000**	**670,120**	**1,041,670**	**34,743,605**
Total Assets	**17,638,758**	**17,462,561**	**14,462,235**	**41,471,468**	**11,115,612**	**3,848,442**	**105,999,076**
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
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**

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)
2017		**JD**
Stock Exchange	+5%	369,384
Stock Exchange	-5%	(369,384)

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

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 down graded below 1st and 2nd class.

8. Operating Risks

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

9. Legal Risks

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

(32) 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 2017 -	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Bank deposits	42,693,311	-	42,693,311
Financial assets at fair value through profit or loss	7,387,685	-	7,387,685
Financial assets at amortized cost	-	2,480,008	2,480,008
Cash in hand and at banks	1,242,338	-	1,242,338
Checks under collection	5,035,226	-	5,035,226
Accounts receivable - net	31,166,615	-	31,166,615
Reinsurance receivables - net	2,117,281	-	2,117,281
Deferred tax assets	-	6,690,252	6,690,252
Property and equipment - net	-	5,071,019	5,071,019
Intangible assets	-	797,415	797,415
Other assets	1,317,926	-	1,317,926
Total Assets	**90,960,382**	**15,038,694**	**105,999,076**
Liabilities			
Unearned premium reserve, net	15,635,902	-	15,635,902
Premium deficiency reserve	884,000	-	884,000
Outstanding claims reserve, net	17,670,783	2,737,000	20,407,783
Accounts payable	12,000,000	474,165	12,474,165
Accrued expenses	341,226	-	341,226
Reinsurance payable	20,500,000	140,504	20,640,504
Other provisions	-	1,016,768	1,016,768
Income tax provision	190,589	24,902	215,491
Other liabilities	-	55,451	55,451
Deferred tax liabilities	67,222,500	4,448,790	71,671,290
Total Liabilities			
Net Assets	**23,737,882**	**10,589,904**	**34,327,786**

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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
Total Liabilities	**70,753,978**	**5,948,693**	**76,702,671**
Net Assets	**29,968,831**	**3,841,939**	**33,810,770**

(33) Analysis Of Main Sectors

A- Background for the company business sectors
General insurance sector includes insurance on Motor, Marine, Fire and Property, Liability, medical and others, the sectors above also include investments and cash management for the company account. The activities between the business sectors are performed based on commercial basis.

B-Geographic concentration of risk

The Company mainly operates in Jordan, which represents domestic operations. Also, the Company exercises international activities through its allies in the Middle East, Europe, Asia, America and the Near East, which represent international business.

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

	Inside the Kingdom		Outside the Kingdom		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total assets	100,979,096	97,919,021	5,019,980	12,594,420	105,999,076	110,513,441
Total revenues	91,883,875	104,095,083	3,543,478	6,109,976	95,427,353	110,205,059
Capital expenditure	1,006,805	366,100	-	-	1,006,805	366,100

(34) 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:

	2017	2016
	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

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f. The following table shows the amount contributed to capital by the Company and the net solvency as of 31 December 2017 and 2016:

	2017	2016
	JD	JD
Core Capital		
Paid in Capital	21,438,252	21,438,252
Statutory reserve	4,683,051	4,683,051
Profit for the year net of appropriations	(11,082,984)	1,204,560
Retained earnings	7,689,467	6,484,907
Total Core Capital	**22,727,786**	**33,810,770**
Supplementary capital:		
Cumulative change in fair value	-	-
Subordinated loan – over 5 years	11,363,893	-
Total Supplementary Capital	-	-
Total regulatory capital (a)	**34,091,679**	**33,810,770**
Total required capital (b)	**22,355,521**	**22,418,223**
Solvency margin (a) / (b)	**152.5%**	**150.8%**

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.

(35) Lawsuits Against the Company

There are lawsuits filed against the Company claiming compensation for a total amount of JD 3,742,098 as of 31st December 2017. 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.

(36) Contingent Liabilities

The Company has letter of guarantee of JD 4,613,148 as of 31st December 2017 against which cash margins of JD 461,314 are held.

(37) Fair Value Hierarchy

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

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

	Level (1)	Level (2)	Level (3)	Total
31 December 2017	JD	JD	JD	JD
Financial assets at fair value through profit or loss	7,387,685	-	-	7,387,685
Total financial assets	**7,387,685**	**-**	**-**	**7,387,685**

	Level (1)	Level (2)	Level (3)	Total
31 December 2016	JD	JD	JD	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**

(38) Standards issued but not yet effective

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 31st December 2015 except for the followings:

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. 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 1st January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Company plans to adopt the remaining phases on the effective date and will not restate comparative information.

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(a) Classification and Measurement

The Company does not expect a material impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12 month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be material compared to the current requirements of provisioning for doubtful trade receivables.

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 1st January 2018, and early adoption is permitted.

During 2017, the Company has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company adopts IFRS 15, whereas,

The Company does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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.

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 1st January 2019. Early application is permitted.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1st January 2021. Early application is permitted.

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 1st January 2018. Early application of the amendments is permitted and must be disclosed.

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 1st 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.

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 recognises 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 1st January 2018. Early application of interpretation is permitted and must be disclosed

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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