



**الوطنية**  
شركة التأمين الوطنية



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To : Jordan Securities Commission  
Amman Stock Exchange

السادة : هيئة الأوراق المالية  
السادة بورصة عمان

Subject : Audited Financial Statements for the  
fiscal year ended 31/12/2016 in English Language

الموضوع : البيانات المالية السنوية المدققة  
للسنة المنتهية بتاريخ 2016/12/31 باللغة  
الانجليزية

Attached the Audited Financial Statements for  
National Insurance Co. for the fiscal year ended  
31/12/2016

مرفق طيه نسخة من البيانات المالية المدققة  
لشركة التأمين الوطنية م.ع.م عن السنة المالية  
المنتهية بتاريخ 2016/12/31

kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام ،،،

General Manager

Manal Jarrar



المدير العام

منال جرار

NATIONAL INSURANCE COMPANY

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2016

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of National Insurance Company Public Shareholding Company  
Amman- Jordan**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

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

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

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

### **1. Revenue recognition**

Revenue is an important determinant of the Group's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut-off date. Gross written premium amounted to JD 18,822,461 for the year ended 31 December 2016.

#### **How key audit matter was addressed**

Our audit procedures included evaluating the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Group'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 Group'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.

Disclosures of accounting policies for revenue recognition are details in note (2) to the consolidated financial statements.

## **2. Estimates used in calculation and completeness of insurance liabilities**

The Group has significant insurance liabilities of JD 10,670,255 representing 73% of the Group's total liabilities as of 31 December 2016. The measurement of insurance liabilities (the incurred but not recorded for insurance and unearned premium revenue and mathematical reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.

### **How key audit matter was addressed**

Our audit procedures included, amongst others, assessing the Group'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 Group. 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 Group and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities.

Disclosures of assumptions and accounting policies related to insurance contracts liabilities are details in note (2) to the consolidated financial statements.

## **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 Group'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 key audit matter was addressed**

Our audit procedures included testing 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.

Disclosures of provision for doubtful debts are details in note (8,9,10) to the consolidated financial statements.

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

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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

A handwritten signature in dark ink, appearing to read 'Ernst &amp; Young' followed by a stylized signature.

Mohammad Ibrahim Al-Karaki  
Registration No. 882

Amman – Jordan  
8 February 2017

NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
<b>Assets</b>			
Bank deposits	3	9,323,666	10,359,178
Financial assets at fair value through profit or loss	4	3,830,073	2,527,175
Financial assets at amortized cost	5	1,900,212	1,283,311
Investment properties	6	702,049	1,305,951
<b>Total Investments</b>		<u>15,756,000</u>	<u>15,475,615</u>
Cash in hands and at banks	7	1,057,347	1,419,241
Checks under collection and rates receivables	8	1,246,493	913,366
Accounts receivable, net	9	4,612,892	4,631,274
Reinsurance receivable	10	378,060	433,006
Deferred income tax assets	11	175,367	200,833
Property and equipment, net	12	645,629	690,802
Other assets	13	1,168,007	1,068,625
<b>Total Assets</b>		<u>25,039,795</u>	<u>24,832,762</u>
<b>Liabilities and Equity</b>			
<b>Technical Reserves Liabilities-</b>			
Unearned premium reserve, net		5,314,664	5,258,410
Outstanding claims reserve, net		5,304,111	5,757,765
Mathematical reserve, net	14	51,480	54,969
<b>Total Technical Reserves Liabilities</b>		<u>10,670,255</u>	<u>11,071,144</u>
<b>Other liabilities</b>			
Accounts payable	15	914,154	989,763
Accrued expenses		41,228	47,303
Reinsurance payable	16	1,342,138	1,416,014
Other provisions	17	64,097	138,414
Income tax provision	11	438,301	341,022
Other liabilities	18	1,269,981	1,231,144
<b>Total Liabilities</b>		<u>14,740,154</u>	<u>15,234,804</u>
<b>Equity</b>			
Paid in capital	19	8,000,000	8,000,000
Statutory reserve	20	1,155,802	975,643
Voluntary reserve	20	11,000	11,000
Fair value reserve	21	(279,525)	(116,090)
Retained earnings	22	1,412,364	727,405
<b>Total Shareholders Equity</b>		<u>10,299,641</u>	<u>9,597,958</u>
<b>Total Liabilities and Shareholders Equity</b>		<u>25,039,795</u>	<u>24,832,762</u>

These basic financial statements are translated from the issued full set arabic financial statements and should be read with them.

NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
<b>Revenue –</b>			
Gross written premiums		18,822,461	19,554,518
Less: reinsurance share		7,046,669	7,553,511
Net written premiums		11,775,792	12,001,007
Net change in unearned premiums reserve		(56,254)	(220,925)
Net change in mathematical reserve		3,489	(16,930)
Net earned premiums		11,723,027	11,763,152
Commissions income		609,078	606,042
Insurance policies issuance fees		700,463	720,407
Interest income	24	437,764	543,661
Gain from financial assets	25	122,234	132,212
Gain on sale of investments properties	6	502,068	-
Other income related to written premiums		64,747	13,698
Other income	26	22,301	11,431
<b>Total revenues</b>		<b>14,181,682</b>	<b>13,790,603</b>
<b>Claims losses and related expenses</b>			
Paid claims		17,315,677	14,789,894
Less: Recoveries		2,933,116	2,494,282
Less: Reinsurance share		4,799,667	3,998,365
Paid claims, net		9,582,894	8,297,247
Net change in claims reserve		(453,654)	325,561
Policies acquisition costs		672,302	911,797
Excess of loss premiums		449,884	430,752
Allocated employees' expenses	27	821,206	807,096
Allocated administrative and general expenses	28	399,239	506,590
Other expenses related to written premiums		507,102	457,206
<b>Net Claims</b>		<b>11,987,973</b>	<b>11,736,249</b>
Unallocated employees' expenses	27	107,529	91,884
Depreciation	6,12	79,410	67,258
Unallocated general and administrative expenses	28	99,809	126,648
Allowance for doubtful debts	9	65,000	40,000
Allowance for doubtful debts-reinsurance	10	-	35,842
Other expenses	29	49,375	31,709
<b>Total expenses</b>		<b>401,123</b>	<b>393,341</b>
<b>Profit for the year before tax</b>		<b>1,801,586</b>	<b>1,661,013</b>
Income tax expenses	11	(437,983)	(378,812)
<b>Profit for the year</b>		<b>1,363,603</b>	<b>1,282,201</b>
		<b>JD/Fils</b>	<b>JD/Fils</b>
Basic and diluted earnings per share	30	0/170	0/160

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NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 JD	2015 JD
Profit for the year		1,363,603	1,282,201
<b>Add: other comprehensive income after tax that is not classified to profit and loss in subsequent</b>			
Change in financial assets at fair value through other comprehensive income, net after tax	21	(101,920)	(62,267)
<b>Total comprehensive income for the year</b>		<u>1,261,683</u>	<u>1,219,934</u>

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**NATIONAL INSURANCE COMPANY  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value Reserve	Retained earnings **		
	JD	JD	JD	JD	Unrealized	Realized	Total
					JD	JD	JD
<b>2016 -</b>							
<b>Balance at 1 January 2016</b>	8,000,000	975,643	11,000	(116,090)	-	727,405	9,597,958
Income for the year	-	-	-	-	-	1,363,603	1,363,603
Change in financial assets at fair value through other comprehensive income	-	-	-	(101,920)	-	-	(101,920)
Gain from selling financial assets at fair value through other comprehensive income	-	-	-	(61,515)	-	61,515	-
Total comprehensive income	-	-	-	(163,435)	-	1,425,118	1,261,683
Transfer to reserve	-	180,189	-	-	-	(180,189)	-
Cash Dividends (23)	-	-	-	-	-	(560,000)	(560,000)
<b>Balance at 31 December 2016</b>	<b>8,000,000</b>	<b>1,155,802</b>	<b>11,000</b>	<b>(279,525)</b>	<b>-</b>	<b>1,412,346</b>	<b>10,299,641</b>
<b>2015 -</b>							
<b>Balance at 1 January 2015</b>	8,000,000	809,542	11,000	(91,289)	-	(351,229)	8,378,024
Income for the year	-	-	-	-	-	1,282,201	1,282,201
Change in financial assets at fair value through other comprehensive income	-	-	-	(62,267)	-	-	(62,267)
Loss from selling financial assets at fair value through other comprehensive income	-	-	-	37,466	-	(37,466)	-
Total comprehensive income	-	-	-	(24,801)	-	1,244,735	1,219,934
Transfer to reserve	-	166,101	-	-	-	(166,101)	-
<b>Balance at 31 December 2015</b>	<b>8,000,000</b>	<b>975,643</b>	<b>11,000</b>	<b>(116,090)</b>	<b>-</b>	<b>727,405</b>	<b>9,597,958</b>

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**NATIONAL INSURANCE COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 JD	2015 JD
<b>OPERATING ACTIVITIES</b>			
Profit for the year before tax adjustments		1,801,586	1,661,013
<b>Adjustment for non-cash items</b>			
Depreciation	6,12	79,410	67,258
(Gain) from sale of property and equipment		(154)	(10,115)
(Gain) from sale of investment properties		(502,068)	-
Net change in unearned premiums reserve		56,254	220,925
Net change in outstanding claims reserve		(453,654)	325,561
Net change in mathematical reserve		(3,489)	16,930
Insurance committee commission reserve	17	113,606	118,616
Life Group policy fees gain reserve	17	489	16,255
Board of directors bonus provision	17	28,125	28,333
Employee bonus provision	17	22,528	-
Allowance for doubtful debt	9	65,000	40,000
Allowance for doubtful debt-reinsurance	10	-	35,842
Currency exchange loss	26	2,203	1,037
<b>Cash flows from operating activities before changes in working capital</b>		<b>1,209,836</b>	<b>2,521,655</b>
Checks under collection and notes receivables		(333,127)	443,997
Accounts receivable		(46,618)	783,271
Reinsurers' receivable		54,946	(102,031)
Other assets		(99,382)	(145,218)
Accounts payable		(75,609)	(162,737)
Accrued expenses		(6,075)	(712)
Reinsurers' payable		(76,079)	(942,851)
Other paid reserve	17	(239,065)	(356,841)
Other payables		38,837	(114,928)
<b>Net cash flows from operating activities before tax</b>		<b>427,664</b>	<b>1,923,605</b>
Income tax paid		(315,238)	(424,017)
<b>Net cash flows from operating activities</b>		<b>112,426</b>	<b>1,499,588</b>
<b>INVESTING ACTIVITIES</b>			
Deposits mature after three months		78,521	(382,284)
Purchase of financial assets at fair value through other comprehensive income		(1,709,057)	(693,986)
Sales of financial assets at fair value through other comprehensive income		304,239	243,405
Purchase of financial assets at amortized cost		(616,901)	-
Proceeds from sale of investments in properties		1,089,240	-
Investment in properties		(9,440)	(297,002)
(Purchase) of property and equipment		(9,447)	(41,569)
Proceeds from sale of property and equipment		1,534	20,000
<b>Net cash flows used in investing activities</b>		<b>(871,311)</b>	<b>(1,151,436)</b>
<b>FINANCING ACTIVITIES</b>			
Cash dividends		(560,000)	-
<b>Net cash flow used in financing activities</b>		<b>(560,000)</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalent</b>		<b>(1,318,885)</b>	<b>348,152</b>
Cash and cash equivalents at beginning of the year		3,942,732	3,594,580
<b>Cash and cash equivalents at the end of the year</b>	31	<b>2,623,847</b>	<b>3,942,732</b>

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