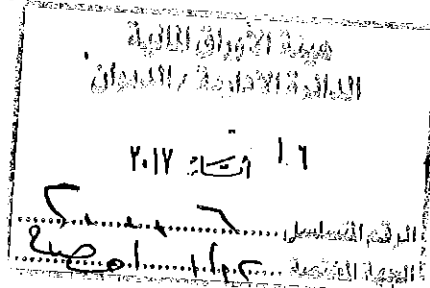


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التاريخ: 2017/5/15

الرقم: 2017 / 326 / ٥٥ fin

Messrs.' : Jordan securities commission

السادة : هيئة الأوراق المالية المحترمين

Subject: Audited financial statement
In English for the fiscal 31/12/2016

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

Attached the audited financial
Statements of Euro Arab Insurance
For the financial year ended at
31/12/2016

مرفق طيه نسخة من البيانات المالية باللغة الانجليزية
المدققة للشركة العربية الأوروبية للتأمين عن السنة
المالية المنتهية في 2016/12/31

Kindly accept our high appreciation

و تفضلوا بقبول فائق الاحترام ،،،،،

And respect

General Manager /

المدير العام /

Dr. Lana Bader

د.لانا بدر

Serve to Grow ... Grow to Serve

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
DECEMBER 31, 2016

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Independent Auditor's Report

AM/ 81100

To the Shareholders of
Euro Arab Insurance Group
Amman – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Euro Arab Insurance Group (A Public Shareholding Limited Company), which comprise the statement of financial position as at December 31, 2016, and the statement of income and other comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 together with the other ethical requirements that are relevant to our audit of the Company's financial statements in Jordan, and we have fulfilled our other ethical responsibilities. 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, in our professional judgment, are the most significant matters in our audit of the financial statements of the current year. 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.

Technical Provisions

Technical provisions are key audit matters. Moreover, technical provisions amounted to JD 14,032,425, representing 81% of the amount of liabilities as of December 31, 2016. In addition, the Company estimates technical provisions according to the requirements of International Financial Reporting Standards and the requirements of regulatory bodies. As such, technical provisions are calculated based on the adopted accounting policies, the Company's estimates, and historical data on claims. The reinsurers' share from the technical provisions is re-calculated according to the related signed agreement. Furthermore, Executive Management appoints a licensed actuary and a loss adjuster to periodically review the adequacy of the technical provisions.

Scope of Audit to Address Risks

The followed audit procedures include understanding the nature of the technical provisions, testing the adopted system of internal control, assessing the reasonableness of the estimates and assumptions, and the adequacy of the provisions booked by management. This is carried out through studying a sample of the technical provisions and reinsurers' share and its calculation, obtaining the advice of the loss adjuster and the Company's lawyer, and comparing the sample with the provisions taken. In addition, we relied on the actuary's reports concerning the adequacy of the technical provisions. Moreover, we assessed the adequacy of disclosures on the technical provisions.

Provision for Accounts Receivable

The provision for accounts receivable is a key audit matter. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to JD 3,579,165, representing approximately 13% of the assets amount as of December 31, 2016.

The nature and characteristics of accounts receivable are varied. They include policyholders, agents, intermediaries, related parties, and other receivables. This requires making assumptions and using estimates to book a provision for the impairment in those receivables.

Scope of Audit to Address Risks

The followed audit procedures included understanding accounts receivable and testing the adopted internal control system in following up on and monitoring credit risks. The procedures also included reviewing the internal control procedures relating to calculating the impairment provision for accounts receivable. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed those factors with Executive Management. We also selected a sample of those receivables after taking into consideration the risks related to payment and guarantees. In addition, we discussed with management some receivables with regard to the customer's expected cash flows and the adequacy of guarantees. Meanwhile, we recalculated the provisions to be taken and reviewed the aging of receivables and related disclosure.

Other Information

Management is responsible for other information which comprises information in the annual report excluding the financial statements and the independent auditor's report thereon. Furthermore, we expect the annual report to be made available to us after the date of our audit report. Our opinion on the financial statements does not cover other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available to us. In doing so, we 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.

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 IFRS, and for such internal control as management determines 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 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 ISA's, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control system.

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

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard procedures.


From the matters communicated with those charged with governance, we determine those matters of most significance in the audit of the financial statements of the current year, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records duly organized and in line with the accompanying financial statements, in all material respects, and we recommend that the General Assembly approve these financial statements.

The accompanying financial statements are a translation of the statutory financial statements, which are in the Arabic language to which reference is to be made.

Amman – Jordan
March 7, 2017


Deloitte & Touche (M.E.) – Jordan

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF FINANCIAL POSITION

ASSETS	Note	December 31,	
		2016	2015
		JD	JD
Deposits at banks	3	16,546,754	14,438,601
Financial assets at fair value through profit or loss	4	1,040,606	2,556,467
Financial assets at amortized cost	5	-	-
Investment property - net	6	865,079	833,408
Total Investments		18,452,439	17,828,476
Cash on hand and at banks	7	13,553	50,560
Cheques under collection	8	543,537	482,031
Accounts receivable - net	9	3,579,165	4,515,254
Re-Insurance companies' accounts - debit	10	543,138	426,442
Deferred tax assets	11/b	671,099	880,078
Property and equipment - net	12	3,341,410	3,395,198
Intangible assets	13	39,954	49,653
Other assets	14	570,761	510,958
TOTAL ASSETS		27,755,056	28,138,650
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>LIABILITIES</u>			
Unearned premiums reserve - net		7,376,169	8,038,587
Claims reserve - net		6,608,734	5,978,662
Mathematical reserve - net	15	47,522	50,079
Total Insurance Contracts Liabilities		14,032,425	14,067,328
Due to a bank	16	253,519	590,054
Accounts payable	17	1,352,018	870,227
Accrued expenses		42,115	247,079
Re-Insurance companies' accounts - credit	18	867,960	1,146,698
Other provisions	19	189,128	108,050
Provision for Income tax	11/a	-	252,789
Other liabilities	20	541,194	1,119,005
TOTAL LIABILITIES		17,278,359	18,401,230
<u>SHAREHOLDERS' EQUITY</u>			
Authorized and paid-up capital	21	8,000,000	8,000,000
Statutory reserve	22	1,164,943	1,065,290
Voluntary reserve	22	15,676	15,676
Retained earnings	23	1,296,078	656,454
Total Shareholders' Equity		10,476,697	9,737,420
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27,755,056	28,138,650

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF
THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH INDEPENDENTS AUDITOR'S REPORT.

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF INCOME

	Note	For the Year Ended	
		December 31,	
		2016	2015
		JD	JD
Revenue:			
Gross written premiums		20,295,429	21,729,173
<u>Less: Re-Insurers' share</u>		<u>(3,599,715)</u>	<u>(3,706,145)</u>
Net Written Premiums		16,695,714	18,023,028
Net change in unearned premiums reserve		662,418	(1,158,611)
Net change in mathematical reserve		<u>2,557</u>	<u>2,969</u>
Net Written Premiums		17,360,689	16,867,386
Commissions' revenue		259,143	307,308
Insurance policies issuance fees		492,990	526,444
Interest revenue	24	709,844	702,553
Net gain from financial assets and investments	25	151,436	113,657
Other revenue	26	<u>692,744</u>	<u>275,495</u>
Total Revenue		<u>19,666,846</u>	<u>18,792,843</u>
Claims, Losses and Expenses:			
Paid claims		17,778,167	16,357,994
<u>Less: Recoveries</u>		<u>(2,155,133)</u>	<u>(1,716,639)</u>
Re-Insurers' share		<u>(1,584,076)</u>	<u>(1,436,249)</u>
Net paid claims		14,038,958	13,205,106
Net change in claims reserve		630,072	440,251
Allocated employees' expenses	27	1,426,805	1,376,635
Allocated general and administrative expenses	28	598,128	527,368
Excess of loss premiums		235,218	268,668
Policies acquisition cost - commissions paid		730,754	930,670
Other expenses related to subscriptions		<u>443,299</u>	<u>429,342</u>
Net Claims Costs		<u>18,103,234</u>	<u>17,178,040</u>
Unallocated employees' expenses	27	181,766	186,030
Depreciation and amortization		160,454	177,729
Unallocated general and administrative expenses	28	149,532	131,842
Provision for impairment in accounts receivable	9 & 10	<u>(2,770)</u>	<u>138,279</u>
Other expenses	29	<u>107,099</u>	<u>46,265</u>
Total Expenses		<u>18,699,315</u>	<u>17,858,185</u>
Income for the Year before Tax		967,531	934,658
Income tax expense	11/a	<u>(228,254)</u>	<u>(214,638)</u>
Income for the Year / Total Comprehensive Income		<u>739,277</u>	<u>720,020</u>
The Company's Shareholders		<u>8,000,000</u>	<u>80,000,000</u>
Earnings per Share for the Year - Basic and diluted	30	<u>0.092</u>	<u>0.090</u>

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE
FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM .
AND WITH INDEPENDENTS AUDITOR'S REPORT.

EURO ARAB INSURANCE COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid - up Capital	Statutory Reserve	Voluntary Reserve	Retained Earnings		
				Realized	Unrealized	Total
	JD	JD	JD	JD	JD	JD
For the Year Ended December 31, 2016						
Balance - beginning of the year	8,000,000	1,065,290	15,676	(91,468)	747,922	9,737,420
Income for the year	-	-	-	999,197	(259,920)	739,277
Transferred to statutory reserve	-	99,653	-	(99,653)	-	-
Balance - End of the Year	<u>8,000,000</u>	<u>1,164,943</u>	<u>15,676</u>	<u>808,076</u>	<u>488,002</u>	<u>10,476,697</u>
For the Year Ended December 31, 2015						
Balance - beginning of the year	8,000,000	968,587	15,676	(618,225)	651,362	9,017,400
Income for the year	-	-	-	623,460	96,560	720,020
Transferred to statutory reserve	-	96,703	-	(96,703)	-	-
Balance - End of the Year	<u>8,000,000</u>	<u>1,065,290</u>	<u>15,676</u>	<u>(91,468)</u>	<u>747,922</u>	<u>9,737,420</u>

- Retained earnings includes JD 671,099 as of December 31, 2016, restricted against deferred tax assets (JD 880,078 as of December 31, 2015) according to the instructions of the Jordan Securities Commission, and also includes unrealized losses from revaluation of financial assets at fair value through profit or loss of JD 183,197 as of December 31, 2016 (JD 132,156 as of December 31, 2015).

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH INDEPENDENT'S AUDITOR'S REPORT.

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31,	
		2016	2015
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the year before tax		967,531	934,658
Adjustments:			
Depreciation and amortization	6 & 12 & 13	160,454	177,729
Unrealized losses from sale of financial assets through profit & loss	25	50,941	19,571
Impairment of receivables - net	9 & 10	(2,770)	138,279
Provision for other liabilities	19	75,000	-
Provision for end-of-service indemnity	19	6,078	3,050
Unearned premiums reserve - net		(662,418)	1,158,611
(Gain) on the disposal of property and equipment	26	(36,894)	-
(Recovered from) life insurance deposits	26	(200,345)	-
(Recovered from) accrued commissions	26	(185,764)	-
Claims reserve - net		630,072	440,251
Mathematical reserve - net	15	(2,557)	(2,969)
Cash Flows from Operating Activities before Changes In Working Capital Items		799,328	2,869,180
(Increase) in checks under collection		(61,506)	(28,455)
Decrease (Increase) in receivables		938,859	(812,232)
(Increase) in re-insurance companies' accounts (debit)		(116,696)	(241,746)
Decrease (Increase) in financial assets through profit & loss		1,464,920	(1,582,539)
(Increase) in other assets		(59,803)	(5,586)
Increase in payables		481,791	156,367
(Decrease) Increase in re-insurance companies' accounts (credit)		(278,738)	235,000
(Decrease) Increase in other liabilities		(377,466)	580,366
(Decrease) Increase in accrued expenses		(19,200)	1,200
Net Cash Flows from Operating Activities before Provisions and Tax Paid		2,771,489	1,171,555
Income tax paid	11	(272,064)	(352,469)
Net Cash Flows from Operating Activities		2,499,425	819,086
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease (Increase) in deposits at banks for a period more than three months		653,001	(3,713,642)
(Purchase) of property and equipment	12	(91,885)	(25,421)
Proceeds from the disposal of property and equipment		40,441	-
(Increase) in intangible assets		(8,500)	(3,350)
(Improvements) in investment properties		(31,800)	(74,200)
Net Cash Flows from (used in) Investment Activities		561,257	(3,816,613)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) in due to banks		(336,535)	(7,908)
Net Cash Flows (used in) Financing Activities		(336,535)	(7,908)
Net Increase (Decrease) in Cash and Cash Equivalents		2,724,147	(3,005,435)
Cash and cash equivalents - beginning of the year		577,872	3,583,307
Cash and Cash Equivalents - End of the Year	31	3,302,019	577,872

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS
AND SHOULD BE READ WITH THEM AND WITH INDEPENDENTS AUDITOR'S REPORT.

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING REVENUE FOR GENERAL INSURANCE ACTIVITIES

	Motor	Marine and Transportation		Fire and Other Damages to Properties		Liability		Medical		Other		Total
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Written premiums:												
Direct business	11,362,704	11,833,993	515,644	498,942	689,096	280,801	263,052	4,744,509	5,592,520	122,901	231,524	17,576,185
Re-insurers' inward business	872,697	848,878	-	2,855	471,421	1,051	854	-	310,000	15,782	14,501	1,369,941
Gross Earned Premiums	12,235,391	12,682,871	515,644	501,797	1,021,047	281,852	263,906	4,744,509	5,902,520	138,683	246,025	18,937,126
Less: Local re-insurers' share	(974,427)	(957,545)	(13,268)	(612)	(354,622)	(197,400)	(362)	-	(310,000)	(10,102)	(16,028)	(1,352,419)
Foreign re-insurers' share	(47,693)	(51,063)	(495,132)	(404,224)	(568,533)	(149,625)	(141,042)	-	-	(72,879)	(160,818)	(1,396,545)
Net Earned Premiums	11,213,271	11,674,263	77,244	96,961	97,892	132,227	122,502	4,744,509	5,592,520	55,702	69,179	16,320,845
Add: Unearned premiums reserve - beginning of the year	5,691,359	4,831,550	165,750	56,957	530,106	119,066	128,893	2,321,006	1,887,249	144,125	68,849	8,971,412
Less: Re-insurers share - beginning of the year	(98,323)	(11,888)	(136,053)	(46,955)	(473,308)	(62,162)	(69,303)	(50,820)	-	(112,159)	(32,953)	(572,975)
Net Unearned Premiums Reserve - Beginning of the Year	5,593,036	4,819,862	29,697	10,002	56,798	56,904	59,591	2,270,186	1,887,249	31,966	35,896	8,038,587
Less: Unearned premiums reserve - end of the year	5,689,092	5,691,359	116,926	165,750	592,321	121,692	119,066	1,625,480	2,321,006	80,630	144,125	8,226,141
Re-insurers' share - end of the year	(87,922)	(98,323)	(96,466)	(136,053)	(547,336)	(60,251)	(62,162)	-	(50,820)	(57,897)	(112,159)	(849,973)
Net Unearned Premiums Reserve - End of the Year	5,601,170	5,593,036	20,460	29,697	44,985	61,341	56,904	1,625,480	2,270,186	22,733	31,966	7,376,169
Net change in unearned premiums reserve	(8,134)	(773,174)	9,237	(19,695)	11,813	(4,437)	2,687	644,706	(382,937)	9,233	3,930	(652,418)
Net Revenue from the Underwritten Premiums	11,205,137	10,901,089	86,481	77,266	109,705	134,896	127,790	5,389,215	5,209,583	64,935	73,109	16,983,263
												16,521,132

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
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EUROARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

STATEMENT OF PAID CLAIMS COST FOR GENERAL INSURANCE ACTIVITIES

	Motor		Marine and Transportation		Fire and Other Damages to Properties				Liability		Medical		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Paid claims	JD 10,876,429	JD 10,233,811	JD 32,522	JD 67,184	JD 856,542	JD 437,319	JD 13,515	JD 10,885	JD 5,116,583	JD 4,542,282	JD 19,134	JD 70,640	JD 16,914,725	JD 15,362,121		
Less: Recoveries	(2,149,999)	(1,711,662)	(1,676)	(1,158)	(3,458)	(2,516)	-	-	-	-	-	(1,303)	(2,155,133)	(1,716,639)		
Local re-insurers' share	-	-	-	-	(16,373)	(615)	-	-	-	-	-	-	(16,373)	(615)		
Foreign re-insurers' share	(39,103)	(24,906)	(20,922)	(44,940)	(748,134)	(375,437)	-	-	-	(5,441)	(17,374)	(60,376)	(825,333)	(561,100)		
Net Paid Claims	8,687,327	8,447,243	9,924	21,086	88,577	58,751	13,515	10,885	5,116,583	4,536,841	1,560	8,961	13,917,886	13,083,767		
Add: Claims Reserve - End of the Year	6,243,685	4,992,915	179,775	167,649	1,271,781	1,780,317	16,073	34,706	358,535	432,843	405,372	365,862	8,475,221	7,774,292		
Un-reported	750,000	1,100,000	3,000	3,000	10,000	10,000	-	-	362,365	417,982	3,000	3,000	1,128,365	1,533,982		
Less: Re-insurers share - end of the year	(171,626)	(116,459)	(173,919)	(161,046)	(1,093,929)	(1,576,043)	(9,968)	(10,000)	-	-	(363,171)	(305,881)	(1,812,613)	(2,169,629)		
Recoveries	(1,323,215)	(1,295,336)	-	-	-	-	-	-	-	-	-	-	(1,323,215)	(1,295,336)		
Net Claims Reserve - End of the Year	5,498,844	4,680,920	8,956	9,603	187,852	214,274	6,105	24,706	720,900	850,825	45,201	62,981	6,467,758	5,843,309		
Net reported claims reserve End of the year	4,748,844	3,580,920	8,556	9,303	187,352	213,774	6,105	24,706	358,535	432,843	44,901	62,681	5,354,293	4,324,227		
Net unreported claims reserve End of the year	750,000	1,100,000	300	300	500	500	-	-	362,365	417,982	300	300	1,113,465	1,519,082		
Less: Claims Reserve - Beginning of the Year																
Reported	4,992,915	4,975,503	167,649	215,239	1,789,317	1,475,305	34,706	22,304	432,843	287,051	365,862	379,880	7,783,292	7,355,282		
Un-reported	1,100,000	900,000	3,000	3,000	1,000	1,000	-	-	417,982	308,068	3,000	3,000	1,524,982	1,215,068		
Less: Re-insurers' Share - beginning of the year	(116,659)	(154,408)	(161,046)	(193,716)	(1,576,043)	(1,369,290)	(10,000)	(1,000)	-	(25,277)	(305,881)	(279,400)	(2,169,629)	(2,023,091)		
Recoveries	(1,295,336)	(1,153,624)	-	-	-	-	-	-	-	-	-	-	(1,295,336)	(1,153,624)		
Net Claims Reserve - Beginning of the Year	4,680,920	4,557,471	9,603	24,523	214,274	107,015	24,706	21,304	850,825	569,842	62,981	103,480	5,843,309	5,393,635		
Net reported claims reserve beginning of the year	3,580,920	3,667,471	9,303	24,223	213,774	106,515	24,706	21,304	432,843	274,842	62,681	103,180	4,324,227	4,197,535		
Net unreported claims reserve beginning of the year	1,100,000	900,000	300	300	500	500	-	-	417,982	295,000	300	300	1,519,082	1,196,100		
Net change at Claims Reserve	817,924	113,449	(747)	(14,920)	(76,422)	107,359	(18,601)	3,402	(129,925)	780,983	(12,780)	(40,499)	624,449	449,674		
Net Paid Claims Cost	9,505,251	8,560,692	9,177	6,166	62,155	166,010	(5,086)	14,287	4,986,658	4,817,824	(15,820)	(31,538)	14,542,335	13,533,441		

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
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EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

STATEMENT OF UNDERWRITING PROFIT FOR GENERAL INSURANCE ACTIVITIES

	Motor		Marine and Transportation		Fire and Other Damages to Properties		Liability		Medical		Other		Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net revenue from the written premiums	11,205,137	10,901,089	86,481	77,266	109,705	134,896	127,790	125,189	5,389,215	5,209,563	64,935	73,109	16,521,132
(Less): Net paid claims cost	(9,805,251)	(8,560,692)	(9,127)	(6,166)	(62,155)	(166,010)	(5,086)	(14,187)	(4,906,658)	(4,917,894)	(5,820)	(11,538)	(13,533,441)
	1,699,886	2,340,397	77,304	77,304	47,550	(31,114)	132,876	110,902	402,557	391,759	86,755	104,647	2,987,691
Add: Received commissions	3,072	4,759	94,355	104,074	136,906	157,522	7,542	5,557	-	12,400	16,642	20,690	305,002
Insurance policies issuance fees	253,755	267,407	16,788	18,649	20,914	25,821	9,544	8,411	159,044	175,328	5,302	6,538	502,154
Other revenue	162,249	169,024	21,804	13,170	1,445	31,979	-	-	254,279	69,399	-	1,162	275,494
Total Revenue	2,119,962	2,782,587	210,251	205,993	206,815	174,158	149,962	124,870	815,880	648,886	102,699	133,037	3,605,569
Less: Paid commissions	565,991	711,026	14,642	28,973	50,005	64,627	15,778	14,928	66,251	92,527	7,712	17,469	929,550
Excess of loss premiums	172,268	205,218	19,450	19,450	43,500	44,000	-	-	-	-	-	-	235,218
Employees and administrative expenses related to underwriting accounts	1,037,408	937,206	79,648	72,474	133,174	115,153	36,762	31,567	608,346	614,470	18,088	29,477	1,800,547
Other expenses	196,007	189,607	15,599	13,599	12,499	19,311	4,325	2,775	112,000	111,668	15,036	14,710	351,670
Total Expenses	1,971,674	2,043,057	129,539	134,496	257,228	243,091	56,845	49,270	786,697	818,865	40,836	61,656	3,237,749
Net Written Profit (Loss)	148,288	739,530	80,712	72,497	(45,423)	(68,933)	93,097	75,600	29,283	(169,979)	61,863	71,381	719,820

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EURO ARAB INSURANCE GROUP

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING REVENUES FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2016 JD	2015 JD
Written Premiums:		
Direct business	1,358,303	1,170,938
Gross Written Premiums	1,358,303	1,170,938
<u>Less:</u> Foreign re-insurers' share	(983,434)	(827,653)
Net Written Premiums	374,869	343,285
<u>Add:</u> Mathematical reserve - beginning of the year	250,395	265,238
<u>Less:</u> Re-insurers' share - beginning of the year	(200,316)	(212,190)
Net Mathematical Reserve - Beginning of the Year	50,079	53,048
<u>Less:</u> Mathematical reserve - End of the Year	354,503	250,395
<u>Add:</u> Mathematical reserve - end of the year	(306,981)	(200,316)
<u>Less:</u> Re-insurers' share - end of the year	47,522	50,079
Net Change in Mathematical Reserve	2,557	2,969
Net Revenue from Written Premiums	377,426	346,254

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EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

STATEMENT OF PAID CLAIMS COST FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2016	2015
	JD	JD
Paid claims	863,442	995,873
<u>Less: Foreign re-Insurers' share</u>	<u>(742,370)</u>	<u>(874,534)</u>
Net Paid Claims	<u>121,072</u>	<u>121,339</u>
<u>Add: Reported claims reserve - end of the year</u>	952,870	872,726
<u>Less: Re-Insurers' share</u>	<u>(811,894)</u>	<u>(737,373)</u>
Net Outstanding Claims Reserve - End of the Year	<u>140,976</u>	<u>135,353</u>
<u>Add: Reported claims reserve - beginning of the year</u>	872,726	905,533
<u>Less: Re-Insurers' share</u>	<u>(737,373)</u>	<u>(760,757)</u>
Net Claims Reserve - Beginning of the Year	<u>135,353</u>	<u>144,776</u>
Net Change In Claims Provision	<u>5,623</u>	<u>(9,423)</u>
Net Paid Claims Cost	<u>126,695</u>	<u>111,916</u>

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EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

STATEMENT OF UNDERWRITING PROFIT FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended		
	December 31,		
	<u>Note</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Net revenue from the written premiums		377,426	346,254
<u>Less:</u> Net paid claims cost		<u>(126,695)</u>	<u>(111,916)</u>
		250,731	234,338
<u>Add:</u> Received commissions		626	2,306
Insurance policies Issuance fees		27,644	24,290
Other revenue	26	<u>200,345</u>	<u>1</u>
Total Revenue		<u>479,346</u>	<u>260,935</u>
<u>Less:</u> Paid commissions		<u>(2,115)</u>	<u>(1,120)</u>
Employee and administrative expenses related to underwriting accounts		(111,507)	(103,457)
Other expenses		<u>(82,833)</u>	<u>(77,672)</u>
Total Expenses		<u>(196,455)</u>	<u>(182,249)</u>
Net Underwriting Profit		<u>282,891</u>	<u>78,686</u>

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EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

STATEMENT OF FINANCIAL POSITION FOR LIFE INSURANCE ACTIVITIES

	December 31,	
	2016	2015
	JD	JD
<u>ASSETS</u>		
Deposits at banks	105,700	105,700
Total Investments	105,700	105,700
Accounts receivable - Net	257,828	198,653
Re-Insurance companies' accounts - debit	323,897	208,442
Other assets	40,672	32,040
Property and equipment	978	1,277
TOTAL ASSETS	729,075	546,112
<u>LIABILITIES AND HEAD OFFICE'S EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable	267,073	39,108
Re-Insurance companies' accounts - credit	743,456	378,281
Other liabilities	264,883	372,992
<u>TECHNICAL RESERVES</u>		
Mathematical reserve - net	47,522	50,079
Claims reserve - net	140,976	135,353
Total Technical reserves	1,463,910	975,813
<u>HEAD OFFICE'S EQUITY</u>		
Head Office's current account	(1,017,726)	(508,388)
Underwriting Net Profit	282,891	78,686
(Deficit) In Head Office's Equity	(734,835)	(429,702)
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY	729,075	546,112

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EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO FINANCIAL STATEMENTS

1. General

Euro Arab Insurance Company was established in 1996 and registered as a Jordanian public company according to the provisional Companies Law No. (1) for the year 1989 and (Amended) Jordan Insurance Regulatory Act (9) of 1995 with a capital of JD 2 million, divided into (2) million shares. The Company was registered in the public shareholding companies register at the Ministry of Industry and Trade in Jordan under No. (304) on January 8, 1996. Moreover, the Company's name was changed, on June 24, 2002, from Amman Insurance Company Ltd to the current name, and its capital was increased in stages over the past years to become JD 8 million, divided into 8 million shares.

The Company conducts all types of insurance: life, motor, marine, transport, fire and other damages to properties, and medical liability.

The accompanying financial statements were approved by the Board of Directors in their meeting held on February 21, 2017, and they are subject to the approval of the General Assembly of Shareholders.

2. Accounting Policies

Basis of Preparation

- The financial statements have been prepared according to the standards issued by the International Accounting Standards Board; interpretations issued by the International Financial Reporting Standards Committee; enacted local laws and regulations; as well as the forms prescribed by the Jordanian Insurance Commission.
- The financial statements have been prepared according to the historical cost convention except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are stated at fair value in the financial statements.
- The Jordanian Dinar is the functional and reporting currency of the financial statements.
- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2015, except for what is mentioned in Note (42.a).

Sector Information

- The business sector represents a set of assets and operations that jointly provide products and services subject to risks and returns different from those of other business sectors, and is measured according to the reports used by the executive manager and the Company's main decision maker.
- The geographic sector relates to the provision of products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Date of Recognition of Financial Assets

Financial assets and financial liabilities are recognized on the trading date (date on which the Company commits itself to purchase or sell the financial assets).

Fair Value

Fair value represents the closing market price (acquisition of assets/ sale of liabilities) on the date of the financial statements in active markets for financial assets with a market value. In case declared market prices do not exist, active trading of some financial assets is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

The evaluation methods aim at providing a fair value reflecting the expectations of the market, expected risks, and expected benefits. Moreover, financial assets, the fair value of which cannot be reliably measured, are stated at cost less any impairment.

Financial Assets at Amortized Cost

These represent the financial assets that meet the following criteria:

- The objective for holding these assets, in the context of the business model, is to collect contractual cash flows.
- According to contractual terms, the contractual cash flows of these assets arise on predetermined dates, and represent only the principal repayments plus interest on the outstanding principal of these assets.

Financial assets at amortized cost are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized, using the effective interest rate method, and debited / credited to the interest account. Any provisions resulting from the decline in value of these investments leading to the irrecoverability of the assets, or part thereof, are deducted, and any impairment in their value is taken to the statement of income. Later, these assets are stated at cost, net of impairment losses.

Impairment in financial assets recorded at amortized cost is determined on the basis of the difference between the carrying amount in the Company's records and the present value of the expected cash flows discounted at the effective interest rate.

Financial assets may not be reclassified to / from this item except for the cases stated in International Financial Reporting Standards (and in the event of the disposal of any of these assets before their maturity date, the outcome of the sale is recorded in the income statement under a separate item and disclosed according to International Financial Reporting Standards).

Reclassification

- Financial assets at amortized cost may be reclassified to financial assets at fair value through the income statement and vice versa. Such reclassification is performed when the Company changes its business model according to which it has classified those assets as stated above, the reclassification should taken into account the following:
- Previously recognized gains, losses, or interest may not be recovered.

- At the time of reclassification of financial assets measured at fair value, their fair value is determined on the reclassification date. Moreover, any gains or losses arising from the difference between the previously recorded amount and fair value are taken to the statement of Income.
- Upon reclassifying financial assets to be measured at amortized cost, they are recorded at fair value on the reclassification date.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through the profit or loss represent financial assets bought by the Company to be sold in the near future and achieve gains from short-term fluctuations in market prices or trading.

Financial assets at fair value through the profit or loss are initially stated at fair value on the acquisition date (purchase costs are recorded in the statement of Income upon purchase). They are subsequently re-measured to fair value, and the changes in fair value are recorded in the statement of income, including the fair value change resulting from the translation of non-monetary assets denominated in foreign currencies. Gains or losses resulting from the sale of these financial assets, or part thereof, are taken to the statement of income.

Distributed dividends or earned interest are recorded in the statement of income when realized.

Financial assets may not be reclassified to / from this item except for the cases specified in International Financial Reporting Standards.

Impairment in Financial Assets

The Company reviews the recorded values of the financial assets at the date of the financial statements to determine if there are any indications to the impairment in their value individually or as a portfolio.

In case such indications exist, the recoverable amount is estimated to determine the amount of impairment loss.

Real Estate Investments

Real estate investments (excluding land) are stated at cost net of accumulated depreciation. Moreover, these investments are depreciated over their useful lives at an annual rate of 2%. In addition, impairment in their value is taken to the statement of income. The operating revenues or expenses of these investments are included in the statement of income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, and balances and deposits at banks maturing within three months, less restricted balances.

Re-insurers' Accounts

Re-insurers' shares of insurance premiums, claims paid, technical provisions, and all other rights and obligations resulting from re-insurance based on contracts concluded between the Company and re-insurers are accounted for on the accrual basis.

Impairment in Re-Insurance Assets

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

1. There is objective evidence resulting from an event that took place after the recording of the re-insurance 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 the re-insurer.

Acquisition Costs of Insurance Policies

Acquisition costs represent the costs incurred by the Company against selling, underwriting, or starting new Insurance contracts. The acquisition costs are recorded in the statement of Income.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any accumulated impairment. Moreover, property and equipment (except for land) are depreciated, when ready for their intended use, according to the straight-line method over their estimated useful lives using the following annual rates. In addition, the depreciation expense is recorded in the statement of Income:

	%
Buildings	2
Machinery, equipment and furniture	9 -25
Vehicles	15
building improvements and decorations	2 -20

Property and equipment are depreciated when ready for their intended use.

When the carrying amounts of property and equipment exceed their recoverable values, assets are written down, and impairment losses are recorded in the statement of Income.

The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.

The gain or loss resulting from the disposal or derecognition of property and equipment, representing the difference between the property and equipment sale proceeds and their book value, is recorded in the statement of income.

Property and equipment are derecognized when disposed of or when there is no expected future benefits from their use or disposal.

Intangible Assets

Intangible assets obtained through merger are recorded at fair value on the acquisition date, whereas intangible assets obtained through means other than merger are recorded at cost.

Intangible assets are classified according to their estimated lives: definite or indefinite. Moreover, intangible assets with definite useful lives are amortized over their lives, and amortization is recorded in the statement of Income. Intangible assets with indefinite lives are reviewed for impairment at the date of the financial statements, and the impairment is recorded in the statement of Income.

The Company's internally generated assets are not capitalized. Instead, they are recorded in the income statement for the same year.

Indicators to the impairment of intangible assets are reviewed as of the financial statements date. Moreover, the useful lives of those assets are reviewed, and any adjustments are made in the subsequent periods.

Computer Programs and Systems

Computer programs and systems are stated at acquisition cost and amortized at 20% annually.

Provisions

Provisions are recognized when the Company has obligations at the date of the financial statements arising from previous events, repayment of the obligations is probable, and their value can be measured reliably.

Amounts recognized as provisions represent the best evaluation of the amounts required to settle the obligation as of the financial statements date, taking into consideration risks and the uncertainty relating to the obligation. When the provision amount is determined on the basis of the expected cash flows for the settlement of the current obligation, its book value represents the present value of these cash flows.

When it is expected that some or all of the economic benefits required from other parties to settle the provision will be recovered, the receivable is recognized within assets if receipt of the compensations is actually certain and their value can be reliably measured.

Technical Reserves

Technical reserves are taken and maintained according to the regulations of the Insurance Regulatory Commission as follows:

1. The reserve for unearned premiums for general insurance activities is calculated according to the remaining days up to the expiry date of the insurance policy on the basis of a 365-day per year, except for marine and land transport insurance for which the provision is calculated on the basis of the underwritten premiums of the policies outstanding as of the date of the financial statements and in accordance with the related laws and regulations.
2. The reserve for (reported) claims is computed by determining the maximum total expected costs for each claim on an individual basis.
3. The reserve for the deficit in premiums and the reserve for unreported claims are calculated based on the Company's experience and estimates.
4. The reserve for unearned premiums for life insurance activities is calculated based on the Company's experience and estimates.
5. The mathematical reserve for life insurance policies is calculated based on actuarial equations reviewed periodically by an independent actuary.

Provision for Doubtful Debts

A provision for doubtful debts is taken when there is objective evidence that whole or part of these debts has become irrecoverable. Moreover, the provision is calculated based on the difference between book value and recoverable value, as well as Board-approved rates according to the aging of debts as of the date of the financial statements.

Staff End-of-Service Indemnity Provision

This provision is calculated according to the Company's policy, compliant with the Jordanian Labor Law.

Staff annual compensations paid to departing employees are charged to the end-of-service indemnity provision upon payment. Moreover, liabilities on the Company for end-of-service compensations are taken to the statement of income.

Liability Adequacy Test

As of the financial statements date, insurance liabilities are evaluated for adequacy and appropriateness through calculating the present value of future cash flows related to the outstanding insurance claims.

If the evaluation indicates that the present value of the insurance liabilities (less appropriate purchase expenditures and related intangible assets) is inadequate compared with the expected future cash flows, the shortage in value is recorded in the statement of income.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

a. Accrued Taxes

Accrued income tax expenses are calculated based on taxable income. Moreover, taxable income differs from income declared in the statement of income since the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, tax-deductible accumulated losses, or unallowable and non-taxable items.

Taxes are calculated based on the tax rates prescribed by the prevailing laws, regulations, and instructions in Jordan.

b. Deferred Taxes

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the financial statements and the value of the taxable amount.

Deferred taxes are calculated according to the liability method in the statement of financial position based on the tax rates expected to be applied at the tax liability settlement date or the realization of the deferred tax assets.

Deferred tax assets are reviewed at the statement of financial position date, and reduced in case it is expected that no benefit will arise therefrom, wholly or partially, the tax liability is settled, or they are no longer needed.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position only when there are legal rights to offset the recognized amounts, the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Revenue Recognition

a. Insurance Contracts

Insurance premiums arising from insurance contracts are recorded as revenue for the year (earned insurance premiums) on the basis of the maturities of time periods and in accordance with the insurance coverage periods. Unearned insurance premiums from insurance contracts at the date of the financial statements are recorded as unearned insurance premiums within liabilities.

Claims and incurred losses settlement expenses are recorded in the statement of income based on the expected liability amount of the compensation relating to the insurance policyholders or other affected parties.

b. Dividends and Interest Income

Dividends from investments are recorded when the right of the shareholders to receive dividends arises upon the related resolution of the General Assembly of Shareholders.

Interest income is calculated according to the accrual method based on the maturities of the time periods, principals, and earned interest rate.

c. Rental Income

Rental income from real estate investments of operating lease contracts is recognized based on the straight-line method over the contract term. Moreover, other expenses are recognized on the accrual basis.

Expense Recognition

All commissions and other costs relating to the acquisition of new or renewed insurance policies are amortized in the statement of income upon their occurrence. Other expenses are recognized on the accrual basis.

Insurance Reimbursement

Insurance compensations represent all amounts paid during the year whether they relate to the current year or previous years. Moreover, outstanding claims represent the highest estimated amount for settlement of all claims resulting from events prior to the financial statements date but still unsettled at that date. Moreover, outstanding claims are calculated on the basis of the best information available at the date of the financial statements and include the provision for unreported claims.

Salvage and Subrogation Reimbursements

Estimates of salvage and subrogation reimbursements are not considered as an allowance in the measurement of the insurance liability for claims.

General and Administrative Expenses

All distributable general and administrative expenses are allocated to the insurance branches separately. Moreover, 80% of the general and administrative expenses have been allocated to the various insurance departments based on the earned premiums of each department in proportion to total premiums.

Employees Expenses

80% of the employees' distributable expenses are allocated to each insurance branch separately based on the actual costs of each department. Moreover, 80% of the employees' non-distributable expenses are allocated to the various insurance department based on the earned premiums of each department in proportion to total premiums.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates of the Jordanian Dinar prevailing at the transaction date.

Financial assets and financial liabilities denominated in foreign currencies are translated to Jordanian Dinar according to the average exchange rates issued by the Central Bank of Jordan at the date of the statement of financial position.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies at fair value are translated to Jordanian Dinar at the date of the determination of their fair value.

Exchange gains or losses resulting therefrom are taken to the statement of income.

The resulting differences from non-monetary assets and non-monetary liabilities are taken as part of the change in fair value.

Use of Estimates

Preparation of the financial statements and application of the accounting policies require the Company's management to perform estimates and judgments that affect the amounts of the financial assets and liabilities, and disclosures relating to contingent liabilities. These estimates and judgments also affect revenues, expenses, provisions and changes in the fair value shown within comprehensive income and shareholders' equity. In particular, management is required to issue significant judgments to assess future cash flows and their timing. The aforementioned estimates are based on several assumptions and factors with varying degrees of estimation and uncertainty. Moreover, the actual results may differ from the estimates due to changes resulting from the circumstances and conditions of those estimates in the future.

Management believes that the estimates within the financial statements are reasonable. The details are as follows:

- A provision for accounts receivable is taken according to the various assumptions and bases adopted by management to evaluate the required provision as per International Financial Reporting Standards.
- The financial year is charged with its share from income tax according to the prevailing laws and regulations as well as International Financial Reporting Standards.
- Management periodically re-evaluates the productive lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of those assets and estimates of their expected productive lives in the future. Any impairment loss is taken to the statement of income.
- Real estate investments are evaluated on bases and assumptions primarily related to market conditions and prices. Moreover, the average of three certified appraisers' estimates has been adopted, the last of which was at the end of the year 2015.
- The claims provision and technical provisions are taken based on technical studies, the instructions of the Insurance Commission, as well as actuarial studies.
- A provision for lawsuits against the Company is based on a legal study by the Company's lawyer according to which probable future risks are determined. A review of such studies is performed periodically.
- Management reviews the financial assets, shown at cost, to evaluate any impairment in their value. Such impairment is taken to the statement of income.
- Management estimated the amounts expected to be recovered from insurance companies and Jordan Insurance Federation related to car accidents based on studies prepared by the Company and in accordance with available documents and information.
- Fair Value Hierarchy: The Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e. assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the assets or liability. When evaluating the fair value of the financial assets or financial liabilities, the Company deals with independent qualified parties to prepare the evaluation studies. Moreover, management reviews the proper evaluation methods and inputs used for re-valuation.

3. Deposits at Banks

This item consists of the following:

		December 31,	
		2016	2015
	Deposits Maturing Within Three Months	Deposits Maturing after Three Months and up to One Year	Total
	JD	JD	JD
Inside Jordan	3,288,466	13,183,028	16,471,494
Outside Jordan	-	75,260	75,260
	<u>3,288,466</u>	<u>13,258,288</u>	<u>16,546,754</u>
			<u>14,438,601</u>

- During the year 2016, interest rates on deposits in Jordanian Dinar ranged from 3.125% to 5.5% (4/1% to 5/9% during the year 2015).
- Moreover, deposits collateralized to the order of the General Manager of the Insurance Commission in addition to his position amounted to JD 325,000 as of December 31, 2016 and 2015 for deposits maturing after more than 3 months.
- Restricted balances amounted to JD 1,200,000 as of December 31, 2016 against credit facilities granted to the Company by a local bank. The utilized balance amounted to JD 253,519 as of December 31, 2016 (JD 590,054 as of December 31, 2015).

4. Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

		December 31,	
		2016	2015
		JD	JD
<u>Inside Jordan:</u>			
<u>Quoted shares at Amman Stock Market:</u>			
Jordan Ahli Bank	-	-	487,500
Arab Jordan Investment Bank	187,050	317,985	282,483
Bank of Jordan	-	-	211,403
Jordan Petroleum Refinery Company	13,333	45,599	-
Injaz Development & Multi Projects Company	52,452	69,761	-
Arab Bank	61,074	376,827	393,927
Bank Al Etihad	-	-	1,157,731
Cairo Amman Bank	51,320	94,942	23,011
Arab Union International Insurance Company	50	63	108
The Holy Land Insurance Company	100	58	60
Middle East Insurance Company	50	84	72
Jordan Insurance Company	50	96	102
Jordan Islamic Bank	35,000	135,100	-
United Insurance Company	50	91	70
		<u>1,040,606</u>	<u>2,556,467</u>

5. Financial Assets at Amortized Cost

This item consists of the following:

	December 31	
	2016	2015
	JD	JD
<u>Inside Jordan</u>		
Arab Real Estate Development Company's debenture bonds *	300,000	300,000
<u>Less: provision for impairment in the Investment of Arab Real Estate Development Company</u>	<u>(300,000)</u>	<u>(300,000)</u>
	<u>-</u>	<u>-</u>
Analysis of bills and bonds	300,000	300,000
Fixed rate	<u>300,000</u>	<u>300,000</u>

- * During the year 2008, an agreement was signed between the Company and Arab Real Estate Development Company through the custodian (the Housing Bank for Trade and Finance). According to the agreement, the second party shall submit debenture bonds of JD 300,000 to the first party at an interest rate of 10%. These bonds matured on April 1, 2011, and have been renewed based on the General Assembly of Debenture Bondholders' approval to reschedule debenture bonds for three years ending on April 1, 2014. The bonds bear interest at a rate of 11%, and are payable in two installments maturing on April 1, and October 1, of the bond's term. The bonds are unquoted, and the bonds and full interest thereon not paid to the Company during the years ended December 31, 2016 and 2015. Moreover, a provision for the impairment in the full value of the shares has been taken on time.

6. Investment Property - Net

This item consists of the following:

	December 31	
	2016	2015
	JD	JD
Lands *	753,216	753,216
Buildings *	112,396	80,596
Accumulated depreciation	(533)	(404)
Net Investment Property	<u>865,079</u>	<u>833,408</u>
Annual Depreciation Rate %	2	2

- The details of investment properties and information related to fair value levels as of December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Fair Values as of December 31, 2016	Fair Value as of December 31, 2015
	JD	JD	JD	JD	JD
Investment properties	-	1,139,563	-	1,139,563	1,139,563

- The fair value of investment properties was estimated by three certified real estate appraisers as of December 31, 2015, and the average of their estimates amounted to JD 1,139,563 according to the instructions and resolutions issued by insurance management.

7. Cash on Hand and at Banks

This item consists of the following:

December 31,	
2016	2015
JD	JD
Cash on hand	1,066
Current accounts at banks	12,487
	13,553
	50,560

8. Cheques under Collection

This item consists of the following:

December 31,	
2016	2015
JD	JD
Cheques under collection*	543,537
	543,537
	482,031
	482,031

- * The maturities of cheques under collection of JD 529,055 extend to December 31, 2017, and of JD 14,482 to January 15, 2018.

9. Accounts Receivable - Net

This item consists of the following:

December 31,	
2016	2015
JD	JD
Policyholders (A)	3,017,387
Agents	352,724
Brokers	947,184
Employees	63,048
Others	57,308
	4,437,651
Less: Provision for doubtful debts (B)	(858,486)
Accounts receivable - Net	3,579,165
	5,349,185
	(833,931)
	4,515,254

- (A) These amounts represent debts with a repayment schedule after December 31, 2016 of JD 1,105,922 (JD 1,739,309 as of December 31, 2015).

- (B) Movement on the provision for doubtful debts was as follows:

	2016	2015
	JD	JD
Balance at the beginning of the year	833,931	727,254
Additions	32,058	106,677
Written-off balances	(7,503)	-
Balance - End of the Year	858,486	833,931

- (C) The ageing of receivables is as follows:

December 31,	
2016	2015
JD	JD
Accounts receivable and scheduled	1,105,922
Less than 90 days	1,574,896
91 - 180 days	586,473
181 - 360 days	303,498
More than 360 days *	866,862
	4,437,651
	4,349,185

- * This Item includes an amount of JD 17,675, representing receivables due from Jordanian governmental entities as of December 31, 2016 and an amount of 59,325 collected in the subsequent period.

10. Re-insurance and Local Insurance Companies' Accounts - Debit

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Local Insurance companies	576,769	1,120,958
Foreign re-insurance companies	118,445	79,263
	695,214	1,200,221
<u>Less: Provision for doubtful debts *</u>	<u>(152,076)</u>	<u>(773,779)</u>
Re-insurance Companies' Accounts - Net	543,138	426,442

- * Movement on the provision for doubtful debts during the year was as follows:

	2016	2015
	JD	JD
Balance at the beginning of the year	773,779	742,177
Additions	-	31,602
Disposals	(34,828)	-
Debts written off during the year	(586,875)	-
Balance at the End of Year	152,076	773,779

- * According to the Board of Directors' meeting dated January 28, 2016, and based on the Company lawyer's recommendations, it has been approved to write off the uncollectible debt due from Jordan Insurance Gulf. A provision for the full amount was taken for it.

The ageing of re-insurance companies' accounts - debit is as follows:

	December 31,	
	2016	2015
	JD	JD
Less than 90 days	330,581	295,859
90 - 180 days	103,710	77,667
181 - 270 days	76,595	55,917
More than 360 days *	184,328	770,778
	695,214	1,200,221

- * This amount represents JD 32,252 collected in the subsequent period.

11. Income Tax

a. Income tax provision

- A final settlement has been reached with the Income and Sales Tax Department up to the year 2014. Moreover, the Company filed its income tax return for the year 2015. However, no final settlement has been reached yet. In the opinion of the Company's management and tax consultant, the provision is sufficient to meet any obligation as of December 31, 2016.

- Movement on the Income tax provision was as follows:

	2016	2015
	JD	JD
Balance at the beginning of the year	252,789	274,489
Income tax paid	(296,777)	(352,469)
Income tax expense for the year	19,275	330,769
Balance at Year *	(24,713)	252,789

- * The debit amount was transferred to income tax prepayments within other assets (Note 14).

- Income tax in the statement of income represents the following:

	2016	2015
	JD	JD
Income tax for the year	19,275	330,769
Deferred tax assets	208,979	(116,131)
	<u>228,254</u>	<u>214,638</u>

- Summary of the reconciliation of accounting profit with taxable profit:

	2016	2015
	JD	JD
Declared accounting profit	967,531	934,658
Non-deductible expenses	1,289,579	1,703,308
Non-taxable Income	(2,177,851)	(1,259,761)
Taxable Profit	<u>79,259</u>	<u>1,378,205</u>
Income Tax Rate %	<u>24%</u>	<u>24%</u>

b. Deferred Tax Assets

The details are as follows:

	December 31, 2016				December 31,	
					2016	2015
	Balance at the Beginning of the Year	Amounts Released	Amounts Added	Balance at Year-End	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Deferred Tax Assets						
Accounts Included						
Provision for doubtful debts	823,931	7,503	32,058	858,486	206,036	200,143
Impairment of re-Insurance and Insurance companies' accounts (debit)	773,779	621,703	-	152,076	36,498	185,707
Financial assets at fair value through profit or loss (Historical)	132,156	-	50,941	183,097	43,943	31,717
Impairment of financial assets at amortized cost						
Unearned premiums reserve	300,000	-	-	300,000	72,000	72,000
Unreported claims reserve	1,519,082	405,617	-	1,113,465	267,232	364,579
End-of-service indemnity provision	8,050	-	6,078	14,128	3,390	1,932
Other liabilities provision	100,000	-	75,000	175,000	42,000	24,000
	<u>3,666,998</u>	<u>1,034,823</u>	<u>164,077</u>	<u>2,796,252</u>	<u>671,099</u>	<u>880,078</u>

- The deferred taxes were calculated according to the tax rates prescribed by the Income Tax Law at 24% as of December 31, 2016 and 2015.
- The movement on deferred tax assets was as follows:

	2016	2015
	Assets	Assets
	JD	JD
Balance at the beginning of the year	880,078	763,947
Additions	39,378	116,131
Released	(248,357)	-
Balance at Year – End for the Year	<u>671,099</u>	<u>88,078</u>

- * In the opinion of the Company's management and its tax consultant, the Company will be able to benefit from the deferred taxes arising from the above provisions.

12. Property and Equipment - Net

The details of this item are as follows:

	Lands	Buildings	Machinery, Equipment and Furniture	Vehicles	Building Improvements and Decorations	Total
For the Year 2016	JD	JD	JD	JD	JD	JD
Cost:						
Balance at the beginning of the year	1,619,944	1,594,750	401,601	302,654	467,255	4,386,204
Additions	-	-	26,869	61,650	3,366	91,885
Disposals	-	-	(176,399)	(67,500)	(44,726)	(288,625)
Balance at End of Year	<u>1,619,944</u>	<u>1,594,750</u>	<u>252,071</u>	<u>296,804</u>	<u>425,895</u>	<u>4,189,464</u>
Accumulated Depreciation:						
Accumulated depreciation at the beginning of the year	-	164,710	309,120	281,699	235,477	991,006
Depreciation for the year	-	31,909	33,526	14,857	61,834	142,126
Disposal	-	-	(176,209)	(64,144)	(44,725)	(285,078)
Accumulated Depreciation at End of Year	-	<u>196,619</u>	<u>166,437</u>	<u>232,412</u>	<u>252,586</u>	<u>848,054</u>
Net Book Value of Property and Equipment						
As of December 31, 2016	<u>1,619,944</u>	<u>1,398,131</u>	<u>85,634</u>	<u>64,392</u>	<u>173,309</u>	<u>3,341,410</u>
Depreciation Rate %	-	2	9 - 25	15	2 - 20	
For the Year 2015						
Cost:						
Balance at the beginning of the year	1,619,944	1,592,248	386,397	302,654	459,540	4,360,783
Additions	-	2,502	15,204	-	7,715	25,421
Balance at End of Year	<u>1,619,944</u>	<u>1,594,750</u>	<u>401,601</u>	<u>302,654</u>	<u>467,255</u>	<u>4,386,204</u>
Accumulated Depreciation:						
Accumulated depreciation at the beginning of the year	-	132,970	273,306	255,225	171,577	833,078
Depreciation for the year	-	<u>31,740</u>	<u>35,814</u>	<u>26,474</u>	<u>63,900</u>	<u>157,928</u>
Accumulated Depreciation at End of Year	-	<u>164,710</u>	<u>309,120</u>	<u>281,699</u>	<u>235,477</u>	<u>991,006</u>
Net Book Value of Property and Equipment						
As of December 31, 2015	<u>1,619,944</u>	<u>1,430,040</u>	<u>92,481</u>	<u>20,955</u>	<u>231,778</u>	<u>3,395,198</u>
Depreciation Rate %	-	2	9 - 25	15	2 - 20	

- Fully depreciated assets amounted to JD 354,651 as of December 31, 2016 (JD 387,370 as of December 31, 2015).

13. Intangible Assets - Net

This item consists of the following:

	Computer Softwares	
	2016	2015
<u>December 31, 2016</u>	JD	JD
Cost:		
Balance at the beginning of the year	49,653	65,977
Additions	8,500	3,350
Amortization	(18,199)	(19,674)
Balance - End of Year	<u>39,954</u>	<u>49,653</u>
Annual Amortization Rate%	20	20

14. Other Assets

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Accrued bank interests	328,320	303,777
Prepaid income tax - 5%	56,484	58,974
Prepaid expenses	57,893	47,298
Refundable deposits	7,678	5,236
Income tax prepayments *	24,713	-
Other	<u>95,673</u>	<u>95,673</u>
	<u>570,761</u>	<u>510,958</u>

- * This item represents Income tax cash payments made by the Company to the Sales and Income Tax Department during the year. In the opinion of the Company and its tax consultant, these payments will be utilized in the future through offsetting them against accrued taxes (Note 11).

15. Mathematical Reserve - Net

The movement on the mathematical reserve is as follows:

	December 31,	
	2016	2015
	JD	JD
Balance at the beginning of the year	50,079	53,048
Disposals during the year	(2,557)	(2,969)
Net Mathematical Reserve - End of the Year	<u>47,522</u>	<u>50,079</u>

16. Due to a Bank

This amount represents the balance of an overdraft facility granted to the Company by Societe General Bank at a ceiling of JD 1,200,000. During the year 2015, the Company renewed the overdraft ceiling against 100% cash collaterals. Moreover, the overdraft bears interest at 5.55% calculated on the daily balance, and interest is recorded at the end of every six months.

17. Accounts Payable

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Agents payable	83,822	75,270
Brokers payable	150,522	180,254
Policyholders	298,582	156,154
Car workshops and spare parts	300,202	342,451
Medical network	432,479	58,637
Employees payable	8,492	11,475
Others	77,919	45,986
	<u>1,352,018</u>	<u>870,227</u>

18. Re-Insurance Companies' Accounts - Credit

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Local insurance companies	84,362	79,505
Foreign re-insurance companies	783,098	1,067,193
	<u>867,960</u>	<u>1,146,698</u>

19. Other Provisions

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Other liabilities provision *	175,000	100,000
End-of-service indemnity **	14,128	8,050
	<u>189,128</u>	<u>108,050</u>

- * This Item represents the provision taken by the Company to meet any legal liabilities that might occur against it. The movement on the provision for other liabilities during the year was as follows:

	2016	2015
	JD	JD
Beginning balance	100,000	100,000
Additions during the year	75,000	-
Ending Balance	<u>175,000</u>	<u>100,000</u>

- ** The movement on the provision for end-of-service Indemnity was as follows:

	2016	2015
	JD	JD
Beginning balance	8,050	5,000
Additions during the year	6,078	3,050
Ending Balance	<u>14,128</u>	<u>8,050</u>

20. Other Liabilities

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Life insurance business secretaries *	59,400	367,745
Sales tax	67,429	97,769
Unearned rent revenue	9,467	-
Social security secretaries	19,577	18,888
Income tax secretaries	12,713	6,571
Shareholder's secretaries	1,198	6,223
Stamps	8,423	9,728
car accidents sufferers' fund	13,238	11,335
Checks safes not provided for disbursement **	290,709	533,932
Other liabilities	59,040	66,814
	<u>541,194</u>	<u>1,119,005</u>

* This item represents amounts settled with reinsurers regarding some policies relating to under settlement policies.

** This item represents checks received by suppliers and policies beneficiaries not cashed yet.

21. Authorized and Paid – up Capital

- Authorized, subscribed, and paid – up capital amounted to JD 8,000,000 million, divided into 8,000,000 shares, at a par value of JD 1 each as of December 31, 2016 and 2015.

22. Reserves

Statutory Reserve

The amounts in this account represent appropriations from annual income before tax at 10% according to the Companies Law. This reserve may not be distributed to shareholders.

Voluntary Reserve

The amounts accumulated in this account represent appropriations from annual income before tax at a rate not exceeding 20%. The voluntary reserve is used for the purposes decided by the Board of Directors. Moreover, the General Assembly of Shareholders has the right to fully or partially distribute this amount as profits to shareholders.

23. Retained Earnings

This item consists of the following:

	2016	2015
	JD	JD
Balance at the beginning of the year	656,454	33,137
Income for the year	739,277	720,020
Transferred to reserves	(99,653)	(96,703)
Balance – End of Year	<u>1,296,078</u>	<u>656,454</u>

24. Interest Revenue

This item consists of the following:

	2016	2015
	JD	JD
Bank earned interest	<u>709,844</u>	<u>702,553</u>
	<u>709,844</u>	<u>702,553</u>

25. Net Gain from Financial Assets and Investments

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Cash dividends	34,314	63,661
Unrealized loss in financial assets fair value through profit or loss	(50,941)	(19,571)
Rental of real estate investments	1,243	50,493
Gain on sale of financial assets at fair value through profit or loss	<u>166,820</u>	<u>19,074</u>
	<u>151,436</u>	<u>113,657</u>

26. Other Revenue - Net

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Revenue related to underwriting accounts	255,014	275,495
Gain on sale of property and equipment	36,894	-
Recovered from life insurance deposits *	200,345	-
Recovered from commissions due *	185,764	-
Other revenue	<u>14,727</u>	<u>-</u>
	<u>692,744</u>	<u>275,495</u>

- * According to the resolution of Executive Management dated December 26, 2016, It was approved to transfer part of life insurance deposits relating to the lawsuits provision of JD 200,345 to other revenues, as the amounts paid for the settlement of these debts is less than the provisions taken. In addition, part of accrued commissions relating to medical Insurance of JD 185,764 was approved for transfer to other revenue.

27. Employees' Expenses

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Salaries and bonuses	1,374,677	1,313,091
Company's share of social security contributions	159,203	150,740
Medical expense	56,135	52,736
Training and staff development	1,015	4,811
Travel and transportation	8,279	4,036
Provision for end-of-service indemnity	6,078	3,050
Other	<u>3,094</u>	<u>34,201</u>
Total	<u>1,608,571</u>	<u>1,562,655</u>
Employees' Expenses Allocated to Underwriting Accounts*	<u>1,426,805</u>	<u>1,376,635</u>
Employees' Expenses Unallocated to Underwriting Accounts	<u>181,766</u>	<u>186,030</u>

* Expenses were allocated as follows:

	2016	2015
	JD	JD
Life	71,477	75,039
Motor	676,818	629,408
Marine and transportation	64,451	60,299
Fire and other damages to properties	103,083	91,828
Liability	28,455	25,133
Medical	468,520	471,423
Others	14,001	23,505
	<u>1,426,805</u>	<u>1,376,635</u>

28. General and Administrative Expenses

This Item consists of the following:

	2016	2015
	JD	JD
Rents	8,323	5,085
Printing and stationery	31,310	30,008
Advertising and marketing	40,124	37,523
Bank Interests	20,835	34,021
Bank charges and stamps	1,718	1,469
Water, electricity and heating	52,453	61,421
Maintenance	12,997	17,046
Post and telephone	25,771	22,564
Professional fees	10,000	10,025
Hospitality	20,249	13,953
Lawyers' fees and other professional expenses	132,675	96,545
Computer expenses and photos	55,020	51,321
Subscriptions	12,613	11,890
Board of Directors' transportation expenses	42,000	36,469
Bid and guarantee expenses	-	240
Government fees	78,104	34,891
Donations	11,430	3,250
Cleaning	29,258	28,618
Cars expenses	41,500	40,373
Security and protection	46,200	46,228
Non-deductible sales tax	13,630	11,485
Other expenses	61,450	64,785
Total	<u>747,660</u>	<u>659,210</u>
Total General and Administrative Expenses Allocated to Underwriting Accounts *	<u>598,128</u>	<u>527,368</u>
Total General and Administrative Expenses Unallocated Underwriting accounts	<u>149,532</u>	<u>131,842</u>

* Expenses were allocated as follows:

	2016	2015
	JD	JD
Life	40,031	28,420
Motor	360,590	307,825
Marine and transportation	15,197	12,181
Fire and other damages	30,091	23,327
Liabilities	8,306	6,385
Medical	139,826	143,259
Others	4,087	5,971
	<u>598,128</u>	<u>527,368</u>

29. Other Expenses

This item consists of the following:

	2016	2015
	JD	JD
Board of Directors' bonuses	29,000	32,379
Others	78,099	13,886
	<u>107,099</u>	<u>46,265</u>

30. Earnings per Share for the Year

Earnings per share has been computed by dividing profit for the year by the outstanding shares. The details are as follows:

	2016	2015
	JD	JD
Income for the year	739,277	720,020
Outstanding shares	8,000,000	8,000,000
Earnings per share for the Year	<u>0.092</u>	<u>0.090</u>

31. Cash and Cash Equivalents

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Cash on hand	13,553	50,560
Deposits at banks maturing within three months	3,288,466	527,312
	<u>3,302,019</u>	<u>577,872</u>

32. Transactions with Related Parties

The Company entered into transactions with major shareholders, members of the Board of Directors, and executive management within its regular activities. All insurance credit granted to related parties are considered operating, and no provisions were taken.

- The following is a summary of the transactions with related parties during the year:

Discription	Major Shareholders	Board of Directors	Executive Management	Total	
				2016	2015
	JD	JD	JD	JD	JD
<u>Statement of Financial Posltion Items:</u>					
Accounts receivable	-	-	1,614	1,614	5,350
Accounts payables	-	36,393	266	36,659	34,411
<u>Income Statement Items:</u>					
Policies revenues	-	39,716	3,788	43,504	45,983
Expenses paid	-	-	863	863	230

- The following is a summary of the benefits (salaries, bonuses, and other benefits for executive management):

Description	For the Year Ended December 31,	
	2016 JD	2015 JD
Salaries and other benefits	523,825	523,062
Board of Directors' transportation fees	42,000	36,469
	<u>526,575</u>	<u>559,531</u>

33. The Fair Value of Financial Assets Not Stated at Fair Value in the Financial Statements

These financial investments include the real estate investments stated at cost and mentioned in Note (6) as follows:

	December 31, 2016		December 31, 2015	
	Fair value JD	Book value JD	Fair value JD	Book value JD
Investments properties -net	865,079	1,139,563	833,408	1,139,563

34. Risk Management

First: Descriptive Disclosures:

Risk management is measurement and evaluation of risk and developing strategies to manage them. These strategies include transferring risks to another party, avoiding risks, and reducing their negative effects on the Company, in addition to accepting some or all of their consequences. Risk management can be categorized as follows:

First: Material risks such as natural catastrophes, fires, and other external risks not related to the Company's activities.

Second: Legal risks arising from legal claims or any risks related to the laws and regulations issued by the Insurance Commission and non-adherence thereto.

Third: Risks arising from financial causes such as interest rate risks, credit risks, foreign currency risks, and market risks.

Fourth: Intangible risks not easily identifiable such as personnel knowledge risks that arise from the application of inadequate knowledge. This type of risks includes as well relationship risks arising from inefficient cooperation with clients. All these risks directly reduce the knowledge employee's productivity; detract from the effectiveness of expenditure, profit, and services; and negatively impact quality, reputation, and quality of gains.

The Company's risk management relies on prioritizing, so that risks with large losses and high probability of occurrence are treated first while risks with smaller losses and lower probabilities are treated later on.

Risk Management Policy

First: Planning and Preparation

The Company prepared work plan and bases for the adoption and evaluation of risks through setting up a Risk Management Department to monitor the related performance.

Second: Risk Determination

Risks are events that cause problems upon occurrence. Therefore, it is necessary to identify such problems and their sources, as accidents arising from these sources may lead to new risks that can be dealt with before their occurrence. Moreover, there are several methods to identify risks such as identification on the basis of objectives, as each of the Company's sections has certain objectives it endeavors to achieve. In addition, any event that hampers the achievement of these objectives is considered a risk. Accordingly, this risk is studied and perused. Another type of risk identification is based on classification, which is a comprehensive classification of all potential sources of risks. Still, one more type of risks is the common risks of similar companies.

Third: Dealing with Risks

The Company deals with potential risks according to the following methods:

- Transfer: passing the risk to another party through contracts or financial protection.
- Avoidance: Refraining from engaging in activities that give rise to risks. Risk avoidance is an effective method for averting risk, but it deprives the Company from undertaking certain operations that may achieve profits for the Company.
- Mitigation: Reducing losses arising from risk occurrence.
- Acceptance: having a policy for the acquisition of unavoidable risks, as acceptance of small risks is an effective strategy.

Fourth: Plan

An easy-to-apply and clear plan for dealing with risks has been set up through pricing which relies on historical statistics to avoid the incurrences of risks in any of the insurance branches. The plan ensures that the premium is adequate to cover potential cumulative risks.

Fifth: Implementation

The Company's technical departments implement the plan, so that risk consequences can be mitigated. According to the plan, avoidable risks are avoided as well.

Sixth: Reviewing and Evaluating the Plan

The risks department follows up on the development in the Company and constantly develops and updates the plan.

Risk Management Arrangement

Determinants

Top priority is given to the risks department, a matter which affects the Company's productivity and profitability. Therefore, the risks department's task is to distinguish between actual risk and uncertainty. In addition, the risks department gives priority to risks with large losses and high probability of occurrence to avoid them.

Responsibilities of Risk Management

- Updating risk data base constantly.
- Predicting potential risks.
- Cooperating with Executive Management to treat risks and mitigate riskiness.
- Preparing risk plans and reports continuously to avoid potential risks and reduce the probability of their occurrence.

Strategy for Dealing with Risks

- Defining the Company's objectives.
- Clarifying strategies for achieving the Company's objectives.
- Identifying risks.
- Assessing risks.
- Finding methods for dealing with and avoiding risks.

Second: Quantitative Disclosures

A. Insurance Risks

1. Insurance Risks

Risks of any insurance policy represent the probability of occurrence of the insured event and uncertainty about the claim amount relating to the event. This is due to the nature of the insurance policy, as risks are both volatile and unexpected in connection with a certain type of insurance. In light of the probabilities theory of pricing and reserve, the key risks faced by the Company are that incurred claims and related payments may exceed the carrying amounts of insurance liabilities. This may take place if the probability and riskiness of the claims are greater than expected. In this regard, insured events are unstable and vary from year to year. Accordingly, estimates may differ from the related statistics. Moreover, studies have revealed that the more similar the insurance policies are, the closer the expectations to actual average losses become. Diversification of insured risks reduces the overall insurance loss probabilities.

The Company conducts all types of insurance-life, car, marine, transport, fire and other damages to properties, liability, medical, and flight – through its main branch at Shmeisani and other branches and offices spread inside the Kingdom.

The Company, through its professional and administrative staff, provides the best service to its clients. A plan has been set to protect it from potential risks, natural or unnatural. This entails making available the necessary funds and equipment to ensure the Company's continuity and viability. Consequently, the dire need to have a strategy for risk management has arisen.

2. Claims Development

The table below illustrates the actual claims compared to the past four years' expectations based on the year in which the accident occurred as follows:

Gross - Liability Insurance:

Year of Accident	2012					Total
	and before	2013	2014	2015	2016	
	JD	JD	JD	JD	JD	JD
As of year-end	37,578	3,320	3,368	9,384	8,615	62,265
After one year	33,149	4,320	6,188	5,777	-	49,434
After two years	32,576	13,320	6,188	-	-	52,084
After three years	34,658	10,287	-	-	-	44,945
After four years	33,183	-	-	-	-	33,183
Current expectations of cumulative claims	33,183	10,287	6,188	5,777	8,615	64,050
Cumulative payments	27,077	320	6,188	5,777	8,615	47,977
Liabilities as stated in the statement of financial position	6,106	9,967	-	-	-	16,073
(Deficit) from the preliminary assessment of the provision	4,395	(6,967)	(2,820)	3,607	8,615	6,830

Gross - Marine and Transportations Insurance:

Year of Accident	2012					Total
	and before	2013	2014	2015	2016	
	JD	JD	JD	JD	JD	JD
As of year-end	483,033	24,648	100,528	56,898	138,855	803,962
After one year	418,367	26,362	73,974	62,521	-	581,224
After two years	385,750	25,112	74,393	-	-	485,255
After three years	376,250	24,862	-	-	-	401,112
After four years	276,250	-	-	-	-	276,250
Current expectations of cumulative claims	276,250	24,862	74,393	62,521	138,855	576,881
Cumulative payments	211,250	24,862	74,393	62,021	24,580	397,106
Liabilities as stated in the statement of financial position:	65,000	-	-	500	114,275	179,775
(Deficit) in the preliminary estimate of the provision	206,783	(214)	26,135	(5,623)	138,855	365,936

Gross - Motor Insurance:

Year of Accident	2012					Total
	and before	2013	2014	2015	2016	
	JD	JD	JD	JD	JD	JD
As of year-end	9,195,874	5,517,530	7,841,293	9,301,887	10,405,545	42,262,129
After one year	10,596,372	6,712,531	8,773,127	11,054,852	-	37,136,882
After two years	10,742,198	6,877,194	8,918,000	-	-	26,537,392
After three years	10,395,036	6,881,308	-	-	-	17,276,344
After four years	10,414,736	-	-	-	-	10,414,736
Current expectations of cumulative claims	10,414,736	6,881,308	8,918,000	11,054,852	10,405,545	47,674,441
Cumulative payments	9,767,210	6,615,264	8,281,416	9,828,764	6,938,102	41,430,756
Liabilities as stated in the statement of financial position	647,526	266,044	636,584	1,226,088	3,467,443	6,243,685
(Deficit) from the preliminary assessment of the provision	(1,218,862)	(1,363,778)	(1,076,707)	(1,752,965)	10,405,545	4,993,233

Gross - Fire and Other Damages to Properties Insurance:

	2012					
	and before	2013	2014	2015	2016	Total
Year of Accident	JD	JD	JD	JD	JD	JD
As of year-end	1,898,485	1,124,095	326,287	825,629	236,879	4,411,375
After one year	2,026,992	908,221	346,073	879,996	-	4,161,282
After two years	1,982,462	872,272	289,787	-	-	3,144,521
After three years	1,936,546	853,230	-	-	-	2,789,776
After four years	2,068,631	-	-	-	-	2,068,631
Current expectations of cumulative claims	2,068,631	853,230	289,787	879,996	236,879	4,328,523
Cumulative payments	1,842,302	648,596	247,712	148,556	169,576	3,056,742
Liabilities as stated in the statement of financial position	226,329	204,634	42,075	731,440	67,303	1,271,781
Excess in the preliminary estimate of the provision	(170,146)	270,865	36,500	(54,367)	236,879	319,731

Gross - Marine and Transportations Insurance:

	2012					
	and before	2013	2014	2015	2016	Total
Year of Accident	JD	JD	JD	JD	JD	JD
As of year-end	5,094,269	2,799,615	3,318,066	4,975,125	5,475,118	21,662,193
After one year	-	-	-	-	-	-
After two years	-	-	-	-	-	-
After three years	-	-	-	-	-	-
After four years	-	-	-	-	-	-
Current expectations of cumulative claims	5,094,269	2,799,615	3,318,066	4,975,125	5,475,118	21,662,193
Cumulative payments	5,094,269	2,799,615	3,138,066	4,975,125	5,116,583	21,303,658
Liabilities as stated in the statement of financial position:	-	-	-	-	358,535	358,535
Excess in the preliminary estimate of the provision	-	-	-	-	-	-

Gross - Other Branches Insurance:

	2012					
	and before	2013	2014	2015	2016	Total
Year of Accident	JD	JD	JD	JD	JD	JD
As of year-end	461,614	12,475	4,464	76,032	27,239	581,824
After one year	615,105	21,694	6,120	117,091	-	760,010
After two years	619,385	22,294	6,120	-	-	647,799
After three years	597,717	21,326	-	-	-	619,043
After four years	583,466	-	-	-	-	583,466
Current expectations of cumulative claims	583,466	21,326	6,120	117,091	27,239	755,242
Cumulative payments	306,328	10,076	5,835	27,092	539	349,870
Reported claims	277,138	11,250	285	89,999	26,700	405,372
Excess in the preliminary estimate of the provision	(121,852)	(8,851)	(1,656)	(41,059)	27,239	(146,179)

Gross - Life Insurance:

	2012					
	and before	2013	2014	2015	2016	Total
Year of Accident	JD	JD	JD	JD	JD	JD
As of year-end	2,627,510	1,524,756	1,417,436	1,868,599	1,816,312	9,254,613
After one year						
After two years						
After three years						
After four years	-	-	-	-	-	-
Current expectations of cumulative claims	2,627,510	1,524,756	1,417,436	1,868,599	1,816,312	9,254,613
Cumulative payments	2,627,510	1,524,756	1,417,436	1,868,599	863,442	9,254,613
Liabilities as stated in the statement of financial position:	-	-	-	-	952,870	952,870
Excess in the preliminary estimate of the provision					-	-

2. **Concentration of Insurance Risks**

Concentration of assets and liabilities based on insurance type is as follows:

For the Year Ending December 31, 2016:

Type of Insurance	Motor	Marine	Fire and Other Damages to Properties Insurance	Liability	Medical	Other Insurance	Life Insurance	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Gross	12,682,777	299,701	1,874,102	137,765	2,346,380	489,002	1,307,373	19,137,100
Net	11,100,014	29,316	232,837	67,446	2,346,380	67,934	188,498	14,032,425

For the Year Ending December 31, 2015:

Type of Insurance	Motor	Marine	Fire and Other Damages to Properties Insurance	Liability	Medical	Other Insurance	Life Insurance	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Gross	11,784,274	336,399	2,320,423	153,772	3,171,831	512,987	1,123,121	19,402,807
Net	10,273,956	39,300	271,072	81,610	3,121,011	95,947	185,432	14,067,328

Concentration of the assets and liabilities according to the geographical and sectorial distribution is as follows:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>According to geographical area</u>				
Inside Jordan	27,556,656	2,462,336	27,982,269	3,266,709
Other Middle East countries	176,656	592,776	112,308	1,020,169
Europe	19,385	190,82	36,618	46,819
Africa	2,359	-	7,455	205
	<u>27,755,056</u>	<u>3,245,934</u>	<u>28,138,650</u>	<u>4,333,902</u>

Concentration of accounts receivable and accounts payable according to sector is as follows:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>According to Sector</u>				
Public	78,803	4,421	178,484	4,996
Private Sector				
Companies and institutions	4,491,514	2,066,785	5,932,809	2,460,504
Individuals	562,548	148,772	438,109	85,357
	<u>5,132,865</u>	<u>2,219,978</u>	<u>6,549,402</u>	<u>2,550,857</u>

4. Reinsurance Risks

As with other insurance companies and for the purpose of reducing exposure to financial losses that may arise from large insurance claims, the Company, within its regular activities, enters into re-insurance contracts with other parties.

To mitigate its exposure to large losses resulting from insolvent re-insurance companies, the Company evaluates the financial position of the re-insurance companies it deals with. It also monitors risk concentrations arising from similar geographical areas, activities, or economic components of those companies. Moreover, the issued re-insurance contracts do not exempt the Company from its liabilities toward policyholders. Consequently, the Company remains liable for the balance of re-insured claims should the re-insurers default on the obligations related to the insurance policies.

b. Financial Risks

The risks the Company is exposed to hinge on the probability of inadequate return on the investments to finance the liabilities arising from the insurance policies and investments.

Moreover, the Company adopts financial policies to manage the various risks within a defined strategy. The Company monitors and controls risks and performs the optimal strategic allocation of financial assets and financial liabilities. Risks include interest rate risks, credit risks, foreign currency risks, and market risks.

The Company adopts the financial hedging policy for financial assets and financial liabilities, when necessary. This hedging relates to expected future risks.

1. Market Risk

Market risks are irregular risks that vary according industry and include price risks, commercial capability, and competition. These risks can be mitigated through diversifying the Company's investment portfolio. Moreover, risk can be estimated by means of standard deviation if the expected return on investments is equal. If, on the other hand, the expected return is unequal, the variance factor for each investment is calculated by dividing standard deviation by the expected return for each investment. The lower the standard deviation, the lesser the risk degree. Furthermore, the Company monitors the stock exchange prices and prices of securities held by the Company daily to take the necessary action at the end of each quarter of the fiscal year.

3. Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Moreover, the Company manages interest rate risks through applying the sensitivity analysis of interest rate instruments in a manner that does not negatively affect net interest income.

The Company manages its interest rate risk regularly by evaluating the different alternatives such as refinancing and renewing current positions and alternative funding.

The sensitivity analysis below has been determined based on the exposure to deposits interest rates at the financial statements date. The analysis is prepared assuming that the amount of deposits at the statement of financial position date was outstanding for the whole year. A (0.5%) increase or decrease is used, which represents management's assessment of the reasonable and probable net change in market interest rates.

	+0/5%		(0/5%)	
	For the Year Ended December 31,			
	2016	2015	2016	2015
	JD	JD	JD	JD
Increase (decrease) in the income for the year	81,466	69,242	(81,466)	(69,242)
Net Shareholders' Equity	81,466	69,242	(81,466)	(69,242)

3. Foreign Currency Risks

This risk represents the risk arising from the fluctuation in the value of financial instruments due the changes in foreign currency exchange rates. Most of the Company's assets and liabilities are funded in Jordanian Dinar or US Dollar. Moreover, the Company's management believes that the US Dollar foreign currency risk is immaterial as the Jordanian Dinar (the Company's functional currency) is pegged to the US Dollar. Consequently, the Company does not hedge the foreign currency risk for that reason as well as the following reasons:

- All of the Company's accounts with others, including re-insurers, are either in Jordanian Dinar or US Dollar.
- There are no accounts in other foreign currencies. However, the Company monitors the fluctuation in foreign currency exchange rates continuously.

The following illustrates the Company's major foreign currency risks:

Type of Currency:	Foreign Currency		Jordanian Dinar	
	December 31,			
	2016	2015	2016	2015
	JD	JD	JD	JD
US Dollar	112,614	108,616	79,956	77,118

Management believes that the Company's foreign currency risks and their impact on the financial statements are immaterial.

4. Liquidity Risks

The Company adopts an appropriate system to manage short-and long-term financing risks through holding adequate reserves, effective monitoring of expected cash flows, and matching the maturities of financial assets, on the one hand, and financial liabilities and technical commitments, on the other.

Liquidity risks represent the Company's inability to make available the necessary funding to meet its obligations on their due dates. To protect the Company against these risks, management diversifies the sources of funds, manages assets and liabilities, matches their maturities, and keeps an adequate balance of cash and cash equivalents and tradable securities.

5. Sensitivity of Insurance Risks

The sensitivity analysis of insurance risks has been performed through a 10% increase / decrease in premiums and compensations while holding all other variables constant. The impact on the Income statement and shareholders' equity is as follows:

For the Year Ended December 31, 2016						
	Effect of 10% Increase in Underwritten Net Premiums and Net Compensations	Effect of 10% Increase on Profit for the Year before Tax	Effect on Shareholders' Equity *	Effect of 10% Decrease in Underwritten Net Premiums and Net Compensations	Effect of 10% Decrease on Profit for the Year before Tax	Effect on Shareholders' Equity *
10%	JD	JD	JD	JD	JD	JD
Premiums						
Motor	1,121,327	1,120,514	851,590	(1,121,327)	(1,120,514)	(851,590)
Marine & transport	7,724	8,648	6,573	(7,724)	(8,648)	(6,573)
Fire and other damages	9,789	10,971	8,338	(9,789)	(10,971)	(8,338)
Flight	-	-	-	-	-	-
Liability	13,223	12,779	9,712	(13,223)	(12,779)	(9,712)
Medical	474,451	538,922	409,580	(474,451)	(538,922)	(409,580)
Other branches	5,570	6,494	4,935	(5,570)	(6,494)	(4,935)
Life	37,487	37,743	28,684	(37,487)	(37,743)	(28,684)
Compensations						
Motor	868,733	(950,525)	(722,399)	(868,733)	950,525	722,399
Marine & transport	992	(918)	(697)	(992)	918	697
Fire and other damages	8,858	(6,216)	(4,724)	(8,858)	6,216	4,724
Flight	-	-	-	-	-	-
Liability	1,352	509	387	(1,352)	(509)	(387)
Medical	511,658	(498,666)	(378,986)	(511,658)	498,666	378,986
Other branches	196	1,582	1,202	(196)	(1,582)	(1,202)
Life	12,107	(12,670)	(9,629)	(12,107)	12,670	9,629

* Net after deducting the Income tax effect.

5. Sensitivity of Insurance Risks

The sensitivity analysis of insurance risks has been performed through a 10% increase / decrease in premiums and compensations while holding all other variables constant. The impact on the income statement and shareholders' equity is as follows:

	For the Year Ended December 31, 2015					
	Effect of 10% Increase in Underwritten Net Premiums and Net Compensations	Effect of 10% Increase on Profit for the Year before Tax	Effect on Shareholders' Equity *	Effect of 10% Decrease in Underwritten Net Premiums and Net Compensations	Effect of 10% Decrease on Profit for the Year before Tax	Effect on Shareholders' Equity *
10%						
Premiums	JD	JD	JD	JD	JD	JD
Motor	1,167,426	1,090,109	828,483	(1,167,426)	(1,090,109)	(828,483)
Marine & transport	9,696	7,727	5,872	(9,696)	(7,727)	(5,872)
Fire and other damages	12,432	13,490	10,252	(12,432)	(13,490)	(10,252)
Flight	-	-	-	-	-	-
Liability	12,250	12,519	9,514	(12,250)	(12,519)	(9,514)
Medical	559,252	520,958	395,928	(559,252)	(520,958)	(395,928)
Other branches	6,918	7,311	5,556	(6,918)	(7,311)	(5,556)
Life	34,329	34,625	26,315	(34,329)	(34,625)	(26,315)
Compensations						
Motor	844,724	(836,069)	(635,413)	(844,724)	836,069	635,413
Marine & transport	2,109	(617)	(469)	(2,109)	617	469
Fire and other damages	5,875	(16,601)	(12,617)	(5,875)	16,601	12,617
Flight	-	-	-	-	-	-
Liability	1,089	(1,429)	(1,086)	(1,089)	1,429	1,086
Medical	453,684	(481,782)	(366,155)	(453,684)	481,782	366,155
Other branches	896	3,154	2,397	(896)	(3,154)	(2,397)
Life	12,134	(11,192)	(8,506)	(12,134)	11,192	8,506

* Net after deducting the Income tax effect.

- The following table illustrates the maturities of financial liabilities, excluding technical reserves (based on the maturity remaining periods from the financial statements date):

<u>December 31, 2016</u>									
Liabilities:									
Up to One Month	More than 3 Months		More than 6 Months		More than One Year		More than one year up to 3 Years		Total
	JD	JD	JD	JD	JD	JD	JD	JD	
Due to banks	-	253,519	-	-	-	-	-	-	253,519
Accounts payable	-	1,176,443	73,384	30,906	-	71,285	-	-	1352018
Accrued expenses	-	-	-	-	-	42,115	-	-	42,115
Reinsures payable	-	377,987	218,912	250,771	-	20,290	-	-	867,960
Other provisions	81,078	-	-	-	-	108,050	-	-	189,128
Income tax provision	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-
Total	480,595	-	-	-	-	60,598	-	-	741,538
	561,673	1,807,949	292,296	281,677	302,338	-	-	-	3,446,278
Assets	2,735,890	3,778,888	1,946,527	15,152,823	919,890	3,221,038	-	-	27,755,056

<u>December 31, 2016</u>									
Liabilities:									
Up to One Month	More than 3 Months		More than 6 Months		More than One Year		More than one year up to 3 Years		Total
	JD	JD	JD	JD	JD	JD	JD	JD	
Due to banks	-	-	590,054	-	-	-	-	-	590,054
Accounts payable	-	676,654	72,373	35,731	85,469	-	-	-	870,227
Accrued expenses	-	19,200	-	-	227,879	-	-	-	247,079
Reinsures payable	-	576,728	282,642	267,879	19,449	-	-	-	1,146,698
Other provisions	3,050	-	-	-	105,000	-	-	-	108,050
Income tax provision	-	252,789	-	-	-	-	-	-	252,789
Other liabilities	666,889	84,371	-	-	367,745	-	-	-	1,119,005
Total	669,939	1,609,742	945,069	303,610	805,542	-	-	-	4,333,902
Assets	286,747	3,514,325	2,969,867	17,268,099	833,238	3,266,374	-	-	28,138,650

5. Share Price Risks

These risks represent the decrease in the share value due to the changes in the indicators level of subscribed shares in the Company's portfolio.

The following is the impact of a +5% or -5% change in the index of the Stock Exchange in which the shares are traded:

	Change in Index	Impact on Profit & Loss for the year 2016 Profit (Loss)	Impact on the Year's Profit & Loss 2015 Profit (Loss)
	JD	JD	JD
Stock Exchanges	5% Increase	52,030	127,823
Stock Exchanges	5% Decrease	(52,030)	(127,823)

6. Credit Risk

Credit risk relates to the other party's inability to meet its contractual obligations leading to the incurrence of losses by the Company. Moreover, the Company adopts a policy of dealing with creditworthy parties in order to mitigate the financial losses arising from defaults on liabilities. The Company does not follow a policy of taking guarantees against accounts receivable. Consequently, accounts receivable are not guaranteed.

The Company's financial assets consist primarily of holders of documents and financial investments at fair value through the statement of income, financial investments at amortized cost, property investments, cash and cash equivalents, and other debit accounts. Moreover, holders of documents represent debts due from the locally insured parties, governmental bodies, large projects, and external customers. In addition, the Company's management believes that the ratio of the debts owed to the Company is high. However, the probability of no collection of all or part of these debts is very low. Meanwhile, these debts represent significant concentration of credit risks in the customers' geographical areas. In this regard, stringent credit risks control is maintained, as each customer's account is monitored separately and constantly. Customers' concentration according to their geographical areas is as follows:

<u>Geographical Area</u>	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
	JD	JD
Inside Jordan	3,579,165	4,515,254
	<u>3,579,165</u>	<u>4,515,254</u>

7. Operating Risks

These risks arise from systems break down and intentional and unintentional human error. Moreover, these risks may affect the Company's reputation and financial losses. They can be avoided through segregating duties, implementing procedures to extract any information from the Company's systems, raising staff awareness, and training personnel.

8. Legal Risks

These risks arise from lawsuits raised against the Company. To avoid these risks, the Company has set up an independent legal department to follow up on the Company's activities in line with the Insurance Commission's instructions.

35. Main Segments Analysis

a. Information on the Company's Operating Segments

For managerial purposes, the Company was organized into two sectors:

1. The General Insurance Sector, which includes motor, marine transportation, fire and other damages to properties, liability, and medical; and
2. Other insurance sectors, which include investments and management of cash on behalf of the Company.

Moreover, transactions among the operational sectors are based on estimated market prices at the same terms used for others.

b. Information on Geographical Distribution

This note represents the geographical distribution of the Company's operations. Moreover, the Company conducts its operations mainly in the Kingdom, representing local operations.

The following is the distribution of the Company's revenue and capital expenditures according to geographical sector:

	Inside Jordan		Outside Jordan		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Total assets	27,556,656	27,982,269	198,400	156,381	27,755,056	28,138,650

	For the Year Ended December 31,					
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
	2016	2015	2016	2015	2016	2015
Total revenue	19,663,761	18,789,732	3,085	3,111	19,666,846	18,792,843
Capital expenditures	182,426	102,971	-	-	182,426	102,971

36. Capital Management

- Achieving Capital Management Objectives:

The Company aims to achieve capital management objectives through growing the Company's operations; achieving surplus in operating profits and revenues; and optimally employing available resources. This is to achieve the targeted growth in shareholders' equity through growing the statutory reserve at 10% of realized profits and the voluntary reserve at no more than 20% (if necessary), as well as through retained earnings in case of achieving profits.

The Company takes into consideration that the size of capital should be compatible with the size and nature of risks that the Company is exposed to. This is carried out in a manner that does not contradict the regulations and instructions in force, and is reflected in the Company's strategies and budgets. Moreover, the effect on capital adequacy ratio is considered upon acquiring investments. In this respect, capital and its adequacy are monitored periodically.

In the opinion of the Company's Board of Directors, the Company's regulatory capital is adequate for the Company's operations.

- The solvency margin as of December 31, 2016 and 2015 is as follows:

	December 31,	
	2016	2015
	JD	JD
First Primary Capital:		
Paid-up capital	8,000,000	8,000,000
Statutory reserve	1,164,943	1,065,290
Voluntary reserve	15,676	15,676
Retained earnings	1,296,078	656,454
	<u>10,476,697</u>	<u>9,737,420</u>
Supplementary Capital:		
Increase in investment properties value	274,484	304,527
	<u>10,751,181</u>	<u>10,041,947</u>
Second: Required capital		
Capital required against assets risks	2,959,360	3,402,069
Capital required against underwriting liabilities	1,924,760	1,851,550
Capital required against reinsurers' risks	10,612	15,509
Capital required against life insurance	447,841	239,941
Total Required Capital	<u>5,342,573</u>	<u>5,509,069</u>
Third: Solvency margin ratio (available capital / required capital)	<u>201%</u>	<u>182%</u>

37. Assets and Liabilities Maturities

The following table shows the analysis of assets and liabilities according to their expected period of recovery or settlement:

	Within One Year JD	More than One Year JD	Total JD
December 31, 2016			
Assets			
Deposits at banks	16,546,754	-	16,546,754
Financial assets at fair value through profit or loss	1,040,606	-	1,040,606
Financial assets at amortized cost	-	-	-
Investment property	31,671	833,408	865,079
Cash on hand and at banks	13,553	-	13,553
Cheques under collection	529,055	14,482	543,537
Accounts receivable – net	3,579,165	-	3,579,165
Re-Insurance and local insurance companies' accounts – debit	543,138	-	543,138
Deferred tax assets	599,099	72,000	671,099
Property and equipment – net	142,126	3,199,284	3,341,410
Intangible assets - net	18,200	21,754	39,954
Other assets	570,761	-	570,761
Total Assets	23,614,128	4,140,928	27,755,056
Liabilities			
Unearned premiums provision – net	7,376,169	-	7,376,169
Claims provision – net	3,308,630	3,300,104	6,608,734
Mathematical provision – net	47,522	-	47,522
Due to banks	253,519	-	253,519
Accounts payable	1,280,733	71,285	1,352,018
Accrued expenses	-	42,115	42,115
Re-insurance and local insurance companies' accounts - credit	847,670	20,290	867,960
Other provisions	81,078	108,050	189,128
Tax provision	-	-	-
Other liabilities	480,596	60,598	541,194
Total Liabilities	13,675,917	3,602,442	17,278,359
Net	9,938,211	538,486	10,476,697

	Within One Year	More than One Year	Total
December 31, 2015	JD	JD	JD
Assets			
Deposits at banks	14,438,601	-	14,438,601
Financial assets at fair value through profit or loss	2,556,467	-	2,556,467
Financial assets at amortized cost	-	-	-
Investment property	74,327	759,081	833,408
Cash on hand and at banks	50,560	-	50,560
Cheques under collection	480,750	1,281	482,031
Accounts receivable – net	4,515,254	-	1,515,254
Re-insurance and local companies' accounts – debit	426,442	-	426,442
Deferred tax assets	808,078	72,000	880,078
Property and equipment – net	157,927	3,237,271	3,395,198
Intangible assets - net	19,674	29,979	49,653
Other assets	510,958	-	510,958
	<u>24,039,038</u>	<u>4,099,612</u>	<u>28,138,650</u>
Liabilities			
Unearned premiums provision – net	8,038,587	-	8,038,587
Claims provision - net	2,826,135	3,152,527	5,978,662
Mathematical provision – net	50,079	-	50,079
Due to banks	590,054	-	590,054
Accounts payable	784,758	85,469	870,227
Accrued expenses	19,200	227,879	247,079
Re-insurance and local insurance companies' accounts - credit	1,127,249	19,449	1,146,698
Other provisions	3,050	105,000	108,50
Tax provision	252,789	-	252,789
Other liabilities	751,260	367,745	1,119,005
Total Liabilities	<u>14,443,161</u>	<u>3,958,069</u>	<u>18,401,230</u>
Net	<u>9,669,158</u>	<u>68,262</u>	<u>9,737,420</u>

38. Lawsuits against the Company

There are lawsuits against the Company claiming compensation on various accidents. Moreover, the lawsuits at courts with determined amounts totaled JD 2,932,471 as of December 31, 2016. In the opinion of the Company's management and its lawyer, no liabilities in excess of the provisions within the claims provision and other liabilities provision shall arise.

39. Contingent Liabilities

The Company was contingently liable for bank guarantees of JD 705,379 as of December 31, 2016 (JD 740,106 as of December 31, 2015).

40. Subsequent Events

In its meeting dated February 21, 2017, the Company's Board of Directors decided to recommend to the General Assembly of Shareholders to distribute cash dividends at 7.5% of paid-up capital of JD/share 8 million totaling JD 600 thousand from retain earnings. The dividends are to be distributed to the shareholders in proportion to their shares. Moreover, dividends distribution is subject to the approval of the General Assembly of Shareholders and Ministry of Industry and Trade – Insurance Management.

41. Fair Value Hierarchy

A - The fair value of financial assets and financial liabilities of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

Financial Assets/Financial Liabilities	Fair Value		The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the Fair Value and the Important Intangible Inputs
	December 31,					
	2016	2015				
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value through Comprehensive Income						
Shares that have available market price	1,040,606	2,556,467	Level One	Stated Rates in financial markets	Doesn't Apply	Doesn't Apply
Total	1,040,606	2,556,467				

There were no transfers between Level 1 and Level 2 during the years 2016 and 2015.

B - The fair value of financial assets and financial liabilities of the Company (non-specified fair value on an ongoing basis):

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the financial statements of the Company approximates their fair value. Moreover, the Company's management believes that the carrying value of the items below is equivalent to their fair value. This is due to either short-term maturity or interest rate repricing during the year.

Financial Assets of Non-specified Fair Value	December 31, 2016		December 31, 2015	
	Book value	Fair Value	Book value	Fair Value
	JD	JD	JD	JD
Deposits at banks	16,546,754	16,875,074	14,438,601	14,742,378
Investments properties	865,079	1,139,563	833,408	1,139,563
Total Financial Assets of Non-specified Fair Value	17,411,833	18,014,637	15,272,009	15,881,941

The fair value of the financial assets and liabilities for Level 2 and Level 3 have been determined according to agreed pricing models, which reflect the credit risk of the parties dealt with.

42. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

42. a. New and revised IFRSs applied with no material effect on the financial statements:

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure Initiative
- Amendments to IFRS 11 Joint Arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

42. b. New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018; the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017

Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • there is consideration denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	January 1, 2018
Amendments to IFRS 2 <i>Share-Based Payment</i> regarding classification and measurement of share-based payment transactions	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39. However, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

IFRS 15 *Revenue from Contracts with Customers*

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date
deferred
indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable; and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019.

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers; and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to submit a reasonable assessment of the consequences of adopting these standards until the Company prepares a review in this regard.