المجموعة العربية الأوروبية للتأمين
EURO ARAB INSURANCE

شركة المجموعة العربية الأوروبية للتأمين م.ع.م
Euro Arab Insurance Group Plc.

الرقم: Fin /258/3/2018

التاريخ : ٢٠١٨/٣/٢٩

الساده بورصة عمان المحترمين

**الموضوع :البيانات المالية كما في ٢٠١٧/١٢/٣١**

تحيه و بعد

بالإشاره إلى الموضوع أعلاه ،نرفق لكم بطية البيانات المالية كما في ٢٠١٧/١٢/٣١ مدققة من المدقق الخارجي حسب الأصول.

وتفضلوا بقبول فائق الاحترام

المدير العام

د. لانا بدر

بورصة عمان
الدائـرة الإدارية والمالية
الديـوان
٢٩ آذار ٢٠١٨
الرقم المتسلسل: ١٧٠١
رقم الملف: ٢٤٣٢
الجهة المختصة: الدراسات العامة

Serve to Grow ... Grow to Serve

الشميساني - شارع الشريف ناصر بن جميل - بناية رقم ٤١ - هاتف : ٥٥١٨٩٣٥ فاكس : ٥٥١٨٩٥٦ - ٦ - ٩٦٢ + ص . ب ١٤٣٥ عمان ١١٩٥٣ الأردن
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التاريخ: 2018/3/29

الرقم: fin/262/ 3 /2018

السادة : بورصة عمان المحترمين

Messrs.' : Amman stock exehange

**الموضوع : البيانات المالية باللغة الأنجليزية كما في 2017/12/31**

**Subject: Audited financial statement In English as at 31/12/2017**

مرفق طيه نسخة من البيانات المالية باللغة الأنجليزية المدققة لشركة المجموعة العربية الأوروبية للتامين كما في 2017/12/31

Attached the audited financial Statements of Euro Arab Insurance Group For the financial year ended at 31/12/2017

و تفضلوا بقبول فائق الأحترام ،،،،،،

Kindly accept our high appreciation And respect

المدير العام

د.لانا بدر

General Manager

Dr. Lana Bader

Lana

Lana



الشميساني - شارع الشريف ناصر بن جميل - بناية رقم ٤١ - هاتف : ٥٥١٨٩٣٥ فاكس : ٥٥١٨٩٥٦ - ٦ - ٩٦٢ + ص . ب ١٤٣٥ عمان ١١٩٥٣ الأردن
Tel.: + 962-6-5518935 Fax : s+ 962-6-5518956 P.O.Box 1435 Amman 11953 Jordan
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EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

EURO ARAB INSURANCE GROUP
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
DECEMBER 31, 2017

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Deloitte.

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# Independent Auditor's Report

AM/ 81100

To the Shareholders of
Euro Arab Insurance Group
A Public Shareholding Limited Company
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, 2017, and the statement of income and 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, 2017, 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.

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### 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 15,338,209, representing 76% of the amount of liabilities as of December 31, 2017. 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, following a meeting with him to discuss the adopted assumptions. 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 5,501,860, representing 18% of the assets amount as of December 31, 2017.

The nature and characteristics of accounts receivable are varied. They include policyholders, agents, intermediaries, 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 have requested confirmations in order to insure the receivables sample balances, and we recalculated the provisions to be taken and reviewed the aging of receivables and related disclosure.

**Other Matter**
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.

**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.

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

Amman – Jordan
February 28, 2018

Deloitte & Touche (M.E.) – Jordan

ديلويت آند توش (الشرق الأوسط)
010101
Deloitte & Touche (M.E.)

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

| ASSETS | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| | | JD | JD |
| Deposits at banks | 3 | 17,614,117 | 16,546,754 |
| Financial assets at fair value through profit or loss | 4 | 580,426 | 1,040,606 |
| Financial assets at amortized cost | 5 | - | - |
| Investment property - net | 6 | 863,354 | 865,079 |
| Total Investments | | 19,057,897 | 18,452,439 |
| Cash on hand and at banks | 7 | 39,428 | 13,553 |
| Cheques under collection | 8 | 604,852 | 543,537 |
| Accounts receivable - net | 9 | 5,501,860 | 3,579,165 |
| Re-insurance and local insurance companies' accounts - debit | 10 | 855,057 | 543,138 |
| Deferred tax assets | 11/b | 735,676 | 671,099 |
| Property and equipment - net | 12 | 3,241,613 | 3,341,410 |
| Intangible assets | 13 | 28,695 | 39,954 |
| Other assets | 14 | 529,751 | 570,761 |
| TOTAL ASSETS | | 30,594,829 | 27,755,056 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Unearned premiums reserve - net | | 8,824,270 | 7,376,169 |
| Claims reserve - net | | 6,442,171 | 6,608,734 |
| Mathematical reserve - net | 15 | 71,768 | 47,522 |
| Total Insurance Contracts Liabilities | | 15,338,209 | 14,032,425 |
| Due to a bank | 16 | 939,928 | 253,519 |
| Accounts payable | 17 | 1,982,242 | 1,352,018 |
| Accrued expenses | | - | 42,115 |
| Re-insurance and local insurance companies' accounts - credit | 18 | 875,514 | 867,960 |
| Other provisions | 19 | 211,200 | 189,128 |
| Provision for income tax | 11/a | 176,546 | - |
| Other liabilities | 20 | 569,259 | 541,194 |
| TOTAL LIABILITIES | | 20,092,898 | 17,278,359 |
| **SHAREHOLDERS' EQUITY** | | | |
| Authorized and paid-up capital | 21 | 8,000,000 | 8,000,000 |
| Statutory reserve | 22 | 1,249,375 | 1,164,943 |
| Voluntary reserve | 22 | 15,676 | 15,676 |
| Retained earnings | 23 | 1,236,880 | 1,296,078 |
| Total Shareholders' Equity | | 10,501,931 | 10,476,697 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 30,594,829 | 27,755,056 |

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, 2017 | 2016 |
|---|---|---|---|
| | | JD | JD |
| **Revenue:** | | | |
| Gross written premiums | | 22,760,233 | 20,295,429 |
| Less: Re-insurers' share | | (3,947,611) | (3,599,715) |
| Net Written Premiums | | 18,812,622 | 16,695,714 |
| Net change in unearned premiums reserve | | (1,448,101) | 662,418 |
| Net change in mathematical reserve | | (24,246) | 2,557 |
| Net Written Premiums | | 17,340,275 | 17,360,689 |
| Commissions' revenue | | 295,438 | 259,143 |
| Insurance policies issuance fees | | 588,683 | 492,990 |
| Interest revenue | 24 | 820,524 | 709,844 |
| Net gain from financial assets and investments | 25 | 64,088 | 151,436 |
| Other revenue | 26 | 410,858 | 692,744 |
| Total Revenue | | 19,519,866 | 19,666,846 |
| **Claims, Losses and Expenses:** | | | |
| Paid claims | | 19,171,884 | 17,778,167 |
| Less: Recoveries | | (2,234,975) | (2,155,133) |
| Re-insurers' share | | (2,202,704) | (1,584,076) |
| Net paid claims | | 14,734,205 | 14,038,958 |
| Net change in claims reserve | | (166,563) | 630,072 |
| Allocated employees' expenses | 27 | 1,528,173 | 1,426,805 |
| Allocated general and administrative expenses | 28 | 576,498 | 598,128 |
| Policies acquisition cost - commissions paid | | 779,197 | 730,754 |
| Excess of loss premiums | | 233,450 | 235,218 |
| Other expenses related to subscriptions | | 467,869 | 443,299 |
| Net Claims Costs | | 18,152,829 | 18,103,234 |
| Unallocated employees' expenses | 27 | 189,214 | 181,766 |
| Depreciation and amortization | 6 &12 & 13 | 158,153 | 160,454 |
| Unallocated general and administrative expenses | 28 | 144,124 | 149,532 |
| Provision for impairment in accounts receivable | 9 & 10 | 2,320 | (2,770) |
| Other expenses | 29 | 57,904 | 107,099 |
| Total Expenses | | 18,704,544 | 18,699,315 |
| Income for the Year before Tax | | 815,322 | 967,531 |
| Income tax expense | 11/a | (190,088) | (228,254) |
| Income for the Year / Total Comprehensive Income | | 625,234 | 739,277 |
| The Company's Shareholders | | 8,000,000 | 8,000,000 |
| Earnings per Share for the Year - Basic and Diluted | 30 | 0.078 | 0.092 |

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 | Statutory | Voluntary | Retained Earnings | | | |
|---|---|---|---|---|---|---|---|
| | Capital | Reserve | Reserve | Realized | Unrealized | Total | Total |
| For the Year Ended December 31, 2017 | JD | JD | JD | JD | JD | JD | JD |
| Balance - beginning of the year | 8,000,000 | 1,164,943 | 15,676 | 808,076 | 488,002 | 1,296,078 | 10,476,697 |
| Income for the year | - | - | - | 533,905 | 91,329 | 625,234 | 625,234 |
| Transferred to statutory reserve | - | 84,432 | - | (84,432) | - | (84,432) | - |
| Cash dividends * | - | - | - | (600,000) | - | (600,000) | (600,000) |
| Balance - End of the Year | 8,000,000 | 1,249,375 | 15,676 | 657,549 | 579,331 | 1,236,880 | 10,501,931 |
| | | | | | | | |
| For the Year Ended December 31, 2016 | | | | | | | |
| Balance - beginning of the year | 8,000,000 | 1,065,290 | 15,676 | (91,468) | 747,922 | 656,454 | 9,737,420 |
| Income for the year | - | - | - | 999,197 | (259,920) | 739,277 | 739,277 |
| Transferred to statutory reserve | - | 99,653 | - | (99,653) | - | (99,653) | - |
| Balance - End of the Year | 8,000,000 | 1,164,943 | 15,676 | 808,076 | 488,002 | 1,296,078 | 10,476,697 |

- Retained earnings includes JD 735,676 as of December 31, 2017, restricted against deferred tax assets (JD 671,099 as of December 31, 2016) 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 156,345 as of December 31, 2017 (JD 183,197 as of December 31, 2016).

* The General Assembly of shareholders has approved in its ordinary meeting held on April 25, 2017 the recommendation of Board of Directors for cash dividends to shareholders amounted JD 600,000 equivalent to 7/5% from paid in capital.

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 CASH FLOWS

| | Note | For the Year Ended December 31, 2017 | 2016 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | JD | JD |
| Income for the year before tax | | 815,322 | 967,531 |
| Adjustments: | | | |
| Depreciation and amortization | 6 & 12 & 13 | 158,153 | 160,454 |
| Unrealized losses of financial assets at fair value through profit or loss | 25 | 38,556 | 50,941 |
| Impairment of receivables - net | 9 & 10 | 2,320 | (2,770) |
| Provision for other liabilities | 19 | 25,000 | 75,000 |
| Provision for end-of-service indemnity | 19 | 3,102 | 6,078 |
| Unearned premiums reserve - net | | 1,448,101 | (662,418) |
| (Gain) from sale 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 | | (166,563) | 630,072 |
| Mathematical reserve - net | 15 | 24,246 | (2,557) |
| Cash Flows from Operating Activities before Changes in Working Capital Items | | 2,348,237 | 799,328 |
| (Increase) in checks under collection | | (61,315) | (61,506) |
| (Increase) in receivables | | (1,920,746) | 938,859 |
| (Increase) in re-insurance and local insurance companies' accounts (debit) | | (316,188) | (116,696) |
| Decrease in financial assets at fair value through profit or loss | | 421,624 | 1,464,920 |
| Decrease (increase) in other assets | | 16,297 | (59,803) |
| Increase in payables | | 630,224 | 481,791 |
| Increase (decrease) in re-insurance and local insurance companies' accounts (credit) | | 7,554 | (278,738) |
| Increase (decrease) in other liabilities | | 21,610 | (377,466) |
| (Decrease) in accrued expenses | | (42,115) | (19,200) |
| Net Cash Flows from Operating Activities before Provisions and Tax Paid | | 1,105,182 | 2,771,489 |
| Income tax paid | A/11 | (53,406) | (272,064) |
| End -of- service indemnity | 19 | (6,030) | - |
| Net Cash Flows from Operating Activities | | 1,045,746 | 2,499,425 |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| (Increase) decrease in deposits at banks maturing after three months | | (1,476,597) | 653,001 |
| (Purchase) of property and equipment | 12 | (37,872) | (91,885) |
| Proceeds from the sales of property and equipment | | - | 40,441 |
| (Increase) in intangible assets | | (7,500) | (8,500) |
| (Improvements) in investment properties | | - | (31,800) |
| Net Cash Flows (used in) from Investment Activities | | (1,521,969) | 561,257 |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Increase (decrease) in due to banks | | 686,409 | (336,535) |
| Dividends | 23 | (593,545) | - |
| Net Cash Flows from (used in) Financing Activities | | 92,864 | (336,535) |
| Net (Decrease) Increase in Cash and Cash Equivalents | | (383,359) | 2,724,147 |
| Cash and cash equivalents - beginning of the year | | 3,302,019 | 577,872 |
| Cash and Cash Equivalents - End of the Year | 31 | 2,918,660 | 3,302,019 |

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 | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Written premiums: | | | | | | | | | | | | | | |
| Direct business | 11,212,294 | 11,362,704 | 501,969 | 515,644 | 666,726 | 549,626 | 342,466 | 280,801 | 6,814,725 | 4,744,509 | 165,861 | 122,901 | 19,704,041 | 17,576,185 |
| Re-insurers' inward business | 818,381 | 872,687 | 292 | - | 454,752 | 471,421 | 1,535 | 1,051 | 120,000 | - | 4,615 | 15,782 | 1,399,575 | 1,360,941 |
| Gross Written Premiums | 12,030,675 | 12,235,391 | 502,261 | 515,644 | 1,121,478 | 1,021,047 | 344,001 | 281,852 | 6,934,725 | 4,744,509 | 170,476 | 138,683 | 21,103,616 | 18,937,126 |
| Less: Local re-insurers' share | (879,983) | (974,427) | (3,698) | (13,268) | (281,649) | (354,622) | (42) | - | (120,000) | - | (356) | (10,102) | (1,285,728) | (1,352,419) |
| Foreign re-insurers' share | (56,013) | (47,693) | (401,590) | (425,132) | (720,492) | (568,533) | (172,489) | (149,625) | - | - | (122,806) | (72,879) | (1,473,390) | (1,263,862) |
| Net Written Premiums | 11,094,679 | 11,213,271 | 96,973 | 77,244 | 119,337 | 97,892 | 171,470 | 132,227 | 6,814,725 | 4,744,509 | 47,314 | 55,702 | 18,344,498 | 16,320,845 |
| Add: Unearned premiums reserve - beginning of the year | 5,689,092 | 5,691,359 | 116,926 | 165,750 | 592,321 | 530,106 | 121,692 | 119,066 | 1,625,480 | 2,321,006 | 80,630 | 144,125 | 8,226,141 | 8,971,412 |
| Less: Re-insurers share - beginning of the year | (87,922) | (98,323) | (96,466) | (136,053) | (547,336) | (473,308) | (60,351) | (62,162) | - | (50,820) | (57,897) | (112,159) | (849,972) | (932,825) |
| Net Unearned Premiums Reserve - Beginning of the Year | 5,601,170 | 5,593,036 | 20,460 | 29,697 | 44,985 | 56,798 | 61,341 | 56,904 | 1,625,480 | 2,270,186 | 22,733 | 31,966 | 7,376,169 | 8,038,587 |
| Less: Unearned premiums reserve - end of the year | 5,702,230 | 5,689,092 | 127,997 | 116,926 | 622,306 | 592,321 | 174,801 | 121,692 | 2,999,289 | 1,625,480 | 81,431 | 80,630 | 9,708,054 | 8,226,141 |
| Re-insurers' share - end of the year | (79,535) | (87,922) | (98,700) | (96,466) | (555,388) | (547,336) | (90,313) | (60,351) | - | - | (59,848) | (57,897) | (883,784) | (849,972) |
| Net Unearned Premiums Reserve - End of the Year | 5,622,695 | 5,601,170 | 29,297 | 20,460 | 66,918 | 44,985 | 84,488 | 61,341 | 2,999,289 | 1,625,480 | 21,583 | 22,733 | 8,824,270 | 7,376,169 |
| Net change in unearned premiums reserve | (21,525) | (8,134) | (8,837) | 9,237 | (21,933) | 11,813 | (23,147) | (4,437) | (1,373,809) | 644,706 | 1,150 | 9,233 | (1,448,101) | 662,418 |
| Net Revenue from the Written Premiums | 11,073,154 | 11,205,137 | 88,136 | 86,481 | 97,404 | 109,705 | 148,323 | 127,790 | 5,440,916 | 5,389,215 | 48,464 | 64,935 | 16,896,397 | 16,983,263 |

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 PAID CLAIMS COST FOR GENERAL INSURANCE ACTIVITIES

| | Motor | | Marine and Transportation | | Fire and Other Damages to Properties | | Liability | | Medical | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Paid claims | 12,118,785 | 10,876,429 | 171,104 | 32,522 | 709,368 | 856,542 | 30,594 | 13,515 | 4,587,605 | 5,116,583 | 40,467 | 19,134 | 17,657,923 | 16,914,725 |
| Less: Recoveries | (2,225,064) | (2,149,999) | (1,545) | (1,676) | (6,542) | (3,458) | - | - | - | - | (1,824) | - | (2,234,975) | (2,155,133) |
| Local re-insurers' share | - | - | (76,363) | - | (15,097) | (16,373) | - | - | - | - | (5,688) | - | (97,148) | (16,373) |
| Foreign re-insurers' share | (134,936) | (39,103) | (70,667) | (20,922) | (558,482) | (748,134) | (26,153) | - | - | - | (23,382) | (17,174) | (813,620) | (825,333) |
| Net Paid Claims | 9,758,785 | 8,687,327 | 22,529 | 9,924 | 129,247 | 88,577 | 4,441 | 13,515 | 4,587,605 | 5,116,583 | 9,573 | 1,960 | 14,512,180 | 13,917,886 |
| Add: Claims reserve - end of the year | 5,854,454 | 6,243,685 | 154,847 | 179,775 | 721,871 | 1,271,781 | 45,491 | 16,073 | 442,240 | 358,535 | 345,014 | 405,372 | 7,563,917 | 8,475,221 |
| Un-reported | 750,000 | 750,000 | 3,000 | 3,000 | 10,000 | 10,000 | - | - | 548,489 | 362,365 | 3,000 | 3,000 | 1,314,489 | 1,128,365 |
| Less: Re-insurers share - end of the year | (161,894) | (171,626) | (128,081) | (173,919) | (668,131) | (1,093,929) | (37,000) | (9,968) | - | - | (306,854) | (363,171) | (1,301,960) | (1,812,613) |
| Recoveries | (1,266,202) | (1,323,215) | - | - | - | - | - | - | - | - | - | - | (1,266,202) | (1,323,215) |
| Net Claims Reserve - End of the Year | 5,176,358 | 5,498,844 | 29,766 | 8,856 | 63,740 | 187,852 | 8,491 | 6,105 | 990,729 | 720,900 | 41,160 | 45,201 | 6,310,244 | 6,467,758 |
| Net reported claims reserve end of the year | 4,426,358 | 4,748,844 | 29,466 | 8,556 | 63,240 | 187,352 | 8,491 | 6,105 | 442,240 | 358,535 | 40,860 | 44,901 | 5,010,655 | 5,354,293 |
| Net unreported claims reserve end of the year | 750,000 | 750,000 | 300 | 300 | 500 | 500 | - | - | 548,489 | 362,365 | 300 | 300 | 1,299,589 | 1,113,465 |
| Less: Claims reserve - beginning of the year-reported | 6,243,685 | 4,992,915 | 179,775 | 167,649 | 1,271,781 | 1,789,317 | 16,073 | 34,706 | 358,535 | 432,843 | 405,372 | 365,862 | 8,475,221 | 7,783,292 |
| Less: Claims reserve - beginning of the year un-reported | 750,000 | 1,100,000 | 3,000 | 3,000 | 10,000 | 1,000 | - | - | 362,365 | 417,982 | 3,000 | 3,000 | 1,128,365 | 1,524,982 |
| Less: Re-insurers' share - beginning of the year | (171,626) | (116,659) | (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 - Beginning of the Year | 5,498,844 | 4,680,920 | 8,856 | 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 beginning 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 beginning of the year | 750,000 | 1,100,000 | 300 | 300 | 500 | 500 | - | - | 362,365 | 417,982 | 300 | 300 | 1,113,465 | 1,519,082 |
| Net Change at Claims Reserve | (322,486) | 817,924 | 20,910 | (747) | (124,112) | (26,422) | 2,386 | (18,601) | 269,829 | (129,925) | (4,041) | (17,780) | (157,514) | 624,449 |
| Net Paid Claims Cost | 9,436,299 | 9,505,251 | 43,439 | 9,177 | 5,135 | 62,155 | 6,827 | (5,086) | 4,857,434 | 4,986,658 | 5,532 | (15,820) | 14,354,666 | 14,542,335 |

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 PROFIT FOR GENERAL INSURANCE ACTIVITIES

| | Motor | | Marine and Transportation | | Fire and Other Damages to Properties | | Liability | | Medical | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | | For the Year Ended December 31, | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD | JD | JD | | | JD | JD | JD | JD |
| Net revenue from the written premiums | 11,073,154 | 11,205,137 | 88,136 | 86,481 | 97,404 | 109,705 | 148,323 | 127,790 | 5,440,916 | 5,389,215 | 48,464 | 64,935 | 16,896,397 | 16,983,263 |
| (Less): Net paid claims cost | (9,436,299) | (9,505,251) | (43,439) | (9,177) | (5,135) | (62,155) | (6,827) | 5,086 | (4,857,434) | (4,986,658) | (5,532) | 15,820 | (14,354,666) | (14,542,335) |
| | 1,636,855 | 1,699,886 | 44,697 | 77,304 | 92,269 | 47,550 | 141,496 | 132,876 | 583,482 | 402,557 | 42,932 | 80,755 | 2,541,731 | 2,440,928 |
| Add: Received commissions | 2,627 | 3,072 | 103,033 | 94,355 | 162,345 | 136,906 | 5,281 | 7,542 | 3,000 | - | 18,780 | 16,642 | 295,066 | 258,517 |
| Insurance policies issuance fees | 269,217 | 253,755 | 17,159 | 16,788 | 24,871 | 20,914 | 11,265 | 9,544 | 232,555 | 159,044 | 5,405 | 5,302 | 560,472 | 465,347 |
| Other revenue | 234,826 | 163,249 | 58,676 | 21,804 | 15,563 | 1,445 | 2,133 | - | 99,653 | 254,279 | 6 | - | 410,857 | 440,777 |
| Total Revenue | 2,143,525 | 2,119,962 | 223,565 | 210,251 | 295,048 | 206,815 | 160,175 | 149,962 | 918,690 | 815,880 | 67,123 | 102,699 | 3,808,126 | 3,605,569 |
| Less: Paid commissions | 580,154 | 565,991 | 14,630 | 14,842 | 68,025 | 58,065 | 19,954 | 15,778 | 79,384 | 66,251 | 12,672 | 7,712 | 774,819 | 728,639 |
| Excess of loss premiums | 169,000 | 172,268 | 19,450 | 19,450 | 45,000 | 43,500 | - | - | - | - | - | - | 233,450 | 235,218 |
| Employees and administrative expenses related to underwriting accounts | 993,660 | 1,037,408 | 81,063 | 79,648 | 131,148 | 133,174 | 40,227 | 36,762 | 721,417 | 608,346 | 19,936 | 18,088 | 1,987,451 | 1,913,426 |
| Other expenses | 165,222 | 196,007 | 36,523 | 15,599 | 14,748 | 17,499 | 7,157 | 4,325 | 148,670 | 112,000 | 14,188 | 15,036 | 386,508 | 360,466 |
| Total Expenses | 1,908,036 | 1,971,674 | 151,666 | 129,539 | 258,921 | 252,238 | 67,338 | 56,865 | 949,471 | 786,597 | 46,796 | 40,836 | 3,382,228 | 3,237,749 |
| Net Written Profit (Loss) | 235,489 | 148,288 | 71,899 | 80,712 | 36,127 | (45,423) | 92,837 | 93,097 | (30,781) | 29,283 | 20,327 | 61,863 | 425,898 | 367,820 |

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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, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Written Premiums: | | |
| Direct business | 1,656,617 | 1,358,303 |
| Gross Written Premiums | 1,656,617 | 1,358,303 |
| Less: Foreign re-insurers' share | (1,188,493) | (983,434) |
| Net Written Premiums | 468,124 | 374,869 |
| Add: Mathematical reserve - beginning of the year | 354,503 | 250,395 |
| Less: Re-insurers' share - beginning of the year | (306,981) | (200,316) |
| Net Mathematical Reserve - Beginning of the Year | 47,522 | 50,079 |
| Less: Mathematical reserve - end of the year | 346,103 | 354,503 |
| Add: Re-insurers' share - end of the year | (274,335) | (306,981) |
| Net Mathematical Reserve - End of the Year | 71,768 | 47,522 |
| Net Change in Mathematical Reserve | (24,246) | 2,557 |
| Net Revenue from the Written Premiums | 443,878 | 377,426 |

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AND WITH INDEPENDENTS AUDITOR'S REPORT.

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, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Paid claims | 1,513,961 | 863,442 |
| Less: Foreign re-insurers' share | (1,291,936) | (742,370) |
| Net Paid Claims | 222,025 | 121,072 |
| Add: Reported claims reserve - end of the year | 661,182 | 952,870 |
| Add: Un-reported claims reserve - end of the year | 20,000 | - |
| Less: Re-insurers' share | (549,255) | (811,894) |
| Net Claims Reserve - End of the Year | 131,927 | 140,976 |
| Net reported claims - end of the year | 111,927 | 140,976 |
| Net un-reported claims - end of the year | 20,000 | - |
| Add: Reported claims reserve - beginning of the year | 952,870 | 872,726 |
| Less: Re-insurers' share | (811,894) | (737,373) |
| Net Claims Reserve - Beginning of the Year | 140,976 | 135,353 |
| Net reported claims reserve - beginning of the year | 140,976 | 135,353 |
| Net Change in Claims Reserve | (9,049) | 5,623 |
| Net Paid Claims Cost | 212,976 | 126,695 |

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EURO ARAB INSURANCE GROUP

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

## STATEMENT OF UNDERWRITING PROFIT FOR LIFE INSURANCE ACTIVITIES

| | Note | For the Year Ended December 31, 2017 JD | 2016 JD |
|---|---|---|---|
| Net revenue from the written premiums | | 443,878 | 377,426 |
| Less: Net paid claims cost | | (212,976) | (126,695) |
| | | 230,902 | 250,731 |
| Add: Received commissions | | 372 | 626 |
| Insurance policies issuance fees | | 28,211 | 27,644 |
| Other revenue | | 1 | 200,345 |
| Total Revenue | | 259,486 | 479,346 |
| Less: Paid commissions | | (4,378) | (2,115) |
| Employee and administrative expenses related to underwriting accounts | | (117,220) | (111,507) |
| Other expenses | | (81,361) | (82,833) |
| Total Expenses | | (202,959) | (196,455) |
| Net Underwriting Profit | | 56,527 | 282,891 |

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 FINANCIAL POSITION FOR LIFE INSURANCE ACTIVITIES

| ASSETS | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Deposits at banks | 105,700 | 105,700 |
| Total Investments | 105,700 | 105,700 |
| | | |
| Accounts receivable - Net | 310,047 | 257,828 |
| Re-insurance companies' accounts - debit | 402,298 | 323,897 |
| Other assets | 50,110 | 40,672 |
| Property and equipment | 597 | 978 |
| TOTAL ASSETS | 868,752 | 729,075 |
| LIABILITIES AND HEAD OFFICE'S EQUITY | | |
| LIABILITIES | | |
| Accounts payable | 90,129 | 267,073 |
| Re-insurance companies' accounts - credit | 727,272 | 743,456 |
| Other liabilities | 60,815 | 264,883 |
| | | |
| TECHNICAL RESERVES | | |
| Mathematical reserve - net | 71,768 | 47,522 |
| Claims reserve - net | 131,927 | 140,976 |
| Total Technical Reserves | 1,081,911 | 1,463,910 |
| | | |
| HEAD OFFICE'S EQUITY | | |
| Head Office's current account | (269,686) | (1,017,726) |
| Net underwriting profit | 56,527 | 282,891 |
| (Deficit) in Head Office's Equity | (213,159) | (734,835) |
| TOTAL LIABILITIES - NET AFTER (DEFICIT) IN HEAD DEFFICE'S EQUITY | 868,752 | 729,075 |

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

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 for the year ended December 31, 2017 were approved by the Board of Directors in their meeting held on February 25, 2018, and 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, 2016, except for what is mentioned in Note (42.a).

**Segment Information**

- The business segments 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 irecoverability 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 Finanical 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 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 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.

Finanical assets may not be reclassitied 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 the 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 reassess 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 reassessed on basis 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 2017.

- 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, | | | |
|---|---|---|---|---|
| | 2017 | | | 2016 |
| | Deposits Maturing Within Three Months | Deposits Maturing after Three Months and up to One Year | Total | Total |
| | JD | JD | JD | JD |
| Inside Jordan | 2,879,232 | 14,659,625 | 17,538,857 | 16,471,494 |
| Outside Jordan | - | 75,260 | 75,260 | 75,260 |
| | 2,879,232 | 14,734,885 | 17,614,117 | 16,546,754 |

- During the year 2017, interest rates on deposits in Jordanian Dinar ranged from 3.125% to 6.2% (3.125% to 5.5% during the year 2016).

- 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, 2017 and 2016 for deposits maturing after more than three months.

- Restricted balances amounted to JD 1,200,000 as of December 31, 2017 and 2016 against credit facilities granted to the Company by a local bank. The utilized balance amounted to JD 939,928 as of December 31, 2017 (JD 253,519 as of December 31, 2016).

## 4. Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

| | Number of Shares | December 31, 2017 | Number of Shares | December 31, 2016 |
|---|---|---|---|---|
| Inside Jordan: | | JD | | JD |
| Quoted shares at Amman Stock Market: | | | | |
| Arab Jordan Investment Bank | 187,050 | 327,338 | 187,050 | 317,985 |
| Cairo Amman Bank | 64,000 | 96,000 | 51,320 | 94,942 |
| Jordan Petroleum Refinery Company | 21,175 | 54,208 | 13,333 | 45,599 |
| Specialized Investment Compound Co | 50,000 | 43,000 | - | - |
| Bank Al Etihad | 17,800 | 28,836 | - | - |
| Capital Bank | 20,000 | 15,800 | - | - |
| Arab Bank | 2,574 | 14,414 | 61,074 | 376,827 |
| Arab Union International Insurance Company | 50 | 58 | 50 | 63 |
| The Holy Land Insurance Company | 50 | 35 | 100 | 58 |
| Middle East Insurance Company | 50 | 85 | 50 | 84 |
| Jordan Insurance Company | 100 | 165 | 50 | 96 |
| United Insurance Company | 100 | 163 | 50 | 91 |
| National Insurance Company | 200 | 240 | - | - |
| Al-Manara Insurance PLc | 72 | 30 | - | - |
| First Insurance Co | 50 | 28 | - | - |
| Jordan International Insurance Co JIIC | 50 | 26 | - | - |
| Injaz Development & Multi Projects Company | - | - | 52,452 | 69,761 |
| Jordan Islamic Bank | - | - | 35,000 | 135,100 |
| | | 580,426 | | 1,040,606 |

## 5. Financial Assets at Amortized Cost

This item consists of the following:

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Inside Jordan | JD | JD |
| Arab Real Estate Development Company's debenture bonds * | 300,000 | 300,000 |
| Less: provision for impairment in the Investment of Arab Real Estate Development Company | (300,000) | (300,000) |
| | - | - |
| Analysis of bills and bonds | | |
| Fixed rate | 300,000 | 300,000 |
| | 300,000 | 300,000 |

* 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 2017. Moreover, a provision for the impairment in the full value of these bonds has been taken.

## 6. Investment Property - Net

This item consists of the following:

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Land * | 753,216 | 753,216 |
| Buildings * | 112,396 | 112,396 |
| Accumulated depreciation | (2,258) | (533) |
| Net Investment Property | 863,354 | 865,079 |
| Annual Depreciation Rate % | 2 | 2 |

- The details of investment properties and information related to fair value levels as of December 31, 2017 are as follows:

| | Level 1 | Level 2 | Level 3 | Fair Values as of December 31,2017 | Fair Value as of December 31,2016 |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Investment properties | - | 1,570,817 | - | 1,570,817 | 1,139,563 |

- The fair value of investment properties was estimated by three certified real estate appraisers as of December 31, 2017, and the average of their estimates amounted to JD 1,570,817 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, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cash on hand | 1,771 | 1,066 |
| Current accounts at banks | 37,657 | 12,487 |
| | 39,428 | 13,553 |

8. Cheques under Collection

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cheques under collection* | 604,852 | 543,537 |
| | 604,852 | 543,537 |

* The maturities of cheques under collection of JD 602,370 extend to December 31, 2018, and of JD 2,482 to February 28, 2019.

9. Accounts Receivable - Net

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Policyholders (A) | 4,795,205 | 3,017,387 |
| Agents | 1,093,396 | 352,724 |
| Brokers | 365,970 | 947,184 |
| Employees | 66,373 | 63,048 |
| Others | 37,453 | 57,308 |
| | 6,358,397 | 4,437,651 |
| Less: Provision for doubtful debts (B) | (856,537) | (858,486) |
| Accounts Receivable – Net | 5,501,860 | 3,579,165 |

(A) These amounts represent debts with a repayment schedule after December 31, 2017 of JD 2,627,786 (JD 1,105,922 as of December 31, 2016).

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 858,486 | 833,931 |
| Add: Additions during the year | - | 32,058 |
| Less: Written-off balances during the year | - | (7,503) |
| Reversal during the year | (1,949) | - |
| Balance – End of the Year | 856,537 | 858,486 |

(C) The aging of receivables is as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Accounts receivable not due and scheduled | 2,627,786 | 1,105,922 |
| Less than 90 days | 2,086,756 | 1,574,896 |
| 91 – 180 days | 462,168 | 586,473 |
| 181 – 360 days | 308,436 | 303,498 |
| More than 360 days * | 873,251 | 866,862 |
| | 6,358,397 | 4,437,651 |

* This item includes an amount of JD 20,749, representing receivables due from Jordanian governmental entities as of December 31, 2017 and an amount of JD 57,567 which has been collected during the subsequent period.

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

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Local insurance companies | 857,497 | 576,769 |
| Foreign re-insurance companies | 153,905 | 118,445 |
| | 1,011,402 | 695,214 |
| Less: Provision for doubtful debts * | (156,345) | (152,076) |
| Re-insurance Companies' Accounts - Net | 855,057 | 543,138 |

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 152,076 | 773,779 |
| Add: Additions | 4,269 | - |
| Less: (Reversal) during the year | - | (34,828) |
| Less: Debts written off during the year* | - | (586,875) |
| Balance - End of the Year | 156,345 | 152,076 |

* 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 aging of re-insurance companies' accounts - debit is as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Less than 90 days | 577,917 | 330,581 |
| 90 – 180 days | 130,738 | 103,710 |
| 181 – 270 days | 75,345 | 76,595 |
| More than 360 days * | 227,402 | 184,328 |
| | 1,011,402 | 695,214 |

* This amount includes JD 74,834 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 2015. Moreover, the Company filed its income tax return for the year 2016. However, no final settlement has been reached yet. Also the income tax for the year ended December 31, 2017 has been calculated according to the regulated income tax law, in the opinion of the Company's management and tax consultant, the provision is sufficient to meet any obligation as of December 31, 2017.

- Movement on the income tax provision was as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | (24,713) | 252,789 |
| Income tax paid | (53,406) | (296,777) |
| Income tax expense for the year | 254,665 | 19,275 |
| Balance – End of the Year * | 176,546 | (24,713) |

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

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Income tax for the year | 254,665 | 19,275 |
| Deferred tax assets | (64,577) | 208,979 |
| | 190,088 | 228,254 |

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Declared accounting profit | 815,322 | 967,531 |
| Non-deductible expenses | 1,403,642 | 1,289,579 |
| Non-taxable income | (1,159,272) | (2,177,851) |
| Taxable Profit | 1,059,692 | 79,259 |
| Income Tax Rate % | 24% | 24% |

b. Deferred Tax Assets

The details are as follows:

| | December 31, 2017 | | | | December 31, | |
|---|---|---|---|---|---|---|
| | | | | | 2017 | 2016 |
| **Deferred Tax Assets** Accounts Included | 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 |
| Provision for doubtful debts | 858,486 | 1,949 | - | 856,537 | 205,569 | 206,036 |
| Impairment of re-insurance and insurance companies' accounts (debit) | 152,076 | - | 4,269 | 156,345 | 37,522 | 36,498 |
| Financial assets at fair value through profit or loss (Historical) | 183,097 | - | 38,556 | 221,653 | 53,196 | 43,943 |
| Impairment of financial assets at amortized cost | 300,000 | - | - | 300,000 | 72,000 | 72,000 |
| Unreported claims reserve | 1,113,465 | - | 206,124 | 1,319,589 | 316,701 | 267,232 |
| End-of-service indemnity provision | 14,128 | 6,030 | 3,102 | 11,200 | 2,688 | 3,390 |
| Other liabilities provision | 175,000 | - | 25,000 | 200,000 | 48,000 | 42,000 |
| | 2,796,252 | 7,979 | 277,051 | 3,065,324 | 735,676 | 671,099 |

- The deferred taxes were calculated according to the tax rates prescribed by the Income Tax Law at 24% as of December 31, 2017 and 2016.

- The movement on deferred tax assets was as follows:

| | 2017 | 2016 |
|---|---|---|
| | Assets | Assets |
| | JD | JD |
| Balance - beginning of the year | 671,099 | 880,078 |
| Additions | 66,492 | 39,378 |
| Released | (1,915) | (248,357) |
| Balance - End of the Year | 735,676 | 671,099 |

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 | Vehicles | Building Improvements | Total |
|---|---|---|---|---|---|---|
| For the Year 2017 | JD | JD | JD | JD | JD | JD |
| Cost: | | | | | | |
| Balance at the beginning of the year | 1,619,944 | 1,594,750 | 252,071 | 296,804 | 425,895 | 4,189,464 |
| Additions | - | - | 14,767 | 13,500 | 9,605 | 37,872 |
| Balance at End of Year | 1,619,944 | 1,594,750 | 266,838 | 310,304 | 435,500 | 4,227,336 |
| Accumulated Depreciation: | | | | | | |
| Accumulated depreciation at the beginning of the year | - | 196,619 | 166,437 | 232,412 | 252,586 | 848,054 |
| Depreciation for the year | - | 31,822 | 28,969 | 15,432 | 61,446 | 137,669 |
| Accumulated Depreciation at End of Year | - | 228,441 | 195,406 | 247,844 | 314,032 | 985,723 |
| Net Book Value of Property and Equipment | 1,619,944 | 1,366,309 | 71,432 | 62,460 | 121,468 | 3,241,613 |
| Depreciation Rate % | - | 2 | 9 - 25 | 15 | 2 - 20 | |
| For the Year 2016 | | | | | | |
| 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 | 1,619,944 | 1,594,750 | 252,071 | 296,804 | 425,895 | 4,189,464 |
| 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 | - | 196,619 | 166,437 | 232,412 | 252,586 | 848,054 |
| Net Book Value of Property and Equipment | 1,619,944 | 1,398,131 | 85,634 | 64,392 | 173,309 | 3,341,410 |
| Depreciation Rate % | - | 2 | 9 - 25 | 15 | 2 - 20 | |

- Fully depreciated assets amounted to JD 355,322 as of December 31, 2017 (JD 354,651 as of December 31, 2016).

## 13. Intangible Assets - Net

The movement was as follows:

| | Computer Software's | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance - beginning of the year | 39,954 | 49,653 |
| Additions | 7,500 | 8,500 |
| Amortization | (18,759) | (18,199) |
| Balance - End of the Year | 28,695 | 39,954 |
| Annual Amortization Rate% | 20 | 20 |

## 14. Other Assets

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Accrued credit bank interests | 316,953 | 328,320 |
| Prepaid income tax – 5% | 98,099 | 56,484 |
| Prepaid expenses | 68,295 | 57,893 |
| Refundable deposits | 5,874 | 7,678 |
| Income tax prepayments * | - | 24,713 |
| Others | 40,530 | 95,673 |
| | 529,751 | 570,761 |

* For the year 2016, this item represents income tax cash payments made by the Company to the Income and Sales Tax Department. The Company has utilized these balances in 2017 through offsetting them against accrued taxes (Note 11).

## 15. Mathematical Reserve - Net

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance - beginning of the year | 47,522 | 50,079 |
| Disposals | - | (2,557) |
| Additions | 24,246 | - |
| Net Mathematical Reserve – End of the Year | 71,768 | 47,522 |

## 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 6.6% calculated on the daily balance, and interest is recorded every six months.

17. Accounts Payable

This item consists of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Agents payable | 92,907 | 83,822 |
| Brokers payable | 192,117 | 150,522 |
| Policyholders | 177,856 | 298,582 |
| Car workshops and spare parts | 451,233 | 300,202 |
| Medical network | 1,003,124 | 432,479 |
| Employees payable | 11,220 | 8,492 |
| Others | 53,785 | 77,919 |
| | 1,982,242 | 1,352,018 |

18. Re-insurance and Local Companies' Accounts - Credit

This item consists of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Local insurance companies | 80,182 | 84,362 |
| Foreign re-insurance companies | 795,332 | 783,598 |
| | 875,514 | 867,960 |

19. Other Provisions

This item consists of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Other liabilities provision * | 200,000 | 175,000 |
| End-of-service indemnity ** | 11,200 | 14,128 |
| | 211,200 | 189,128 |

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance – beginning of the year | 175,000 | 100,000 |
| Additions during the year | 25,000 | 75,000 |
| Balance – End of the Year | 200,000 | 175,000 |

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance – beginning of the year | 14,128 | 8,050 |
| Additions during the year | 3,102 | 6,078 |
| Paid during the year | (6,030) | - |
| Balance – End of the Year | 11,200 | 14,128 |

* Expenses were allocated as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Life | 75,259 | 71,477 |
| Motor | 688,933 | 676,818 |
| Marine and transportation | 68,341 | 64,451 |
| Fire and other damages to properties | 102,742 | 103,083 |
| Liability | 31,514 | 28,455 |
| Medical | 545,766 | 468,520 |
| Others | 15,618 | 14,001 |
| | 1,528,173 | 1,426,805 |

## 28. General and Administrative Expenses

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Rent | 9,048 | 8,323 |
| Printing and stationery | 26,982 | 31,310 |
| Advertising and marketing | 29,177 | 40,124 |
| Bank interests | 51,389 | 20,835 |
| Bank charges and stamps | 7,530 | 1,718 |
| Water, electricity and heating | 55,845 | 52,453 |
| Maintenance | 7,250 | 12,997 |
| Post and telephone | 33,829 | 25,771 |
| Professional fees | 12,000 | 10,000 |
| Hospitality | 18,329 | 20,249 |
| Lawyers' fees and other professional expenses | 108,869 | 132,675 |
| Computer expenses and photos | 67,544 | 55,020 |
| Subscriptions | 13,353 | 12,613 |
| Board of Directors' transportation expenses | 42,000 | 42,000 |
| Government fees | 39,491 | 78,104 |
| Donations | 4,961 | 11,430 |
| Cleaning | 31,259 | 29,258 |
| Cars expenses | 48,116 | 41,500 |
| Security and protection | 46,200 | 46,200 |
| Non-deductible sales tax | 16,382 | 13,630 |
| Other expenses | 51,068 | 61,450 |
| Total | 720,622 | 747,660 |
| Total General and Administrative Expenses Allocated to Underwriting Accounts * | 576,498 | 598,128 |
| Total General and Administrative Expenses Unallocated Underwriting Accounts | 144,124 | 149,532 |

* Expenses were allocated as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Life | 41,961 | 40,031 |
| Motor | 304,727 | 360,590 |
| Marine and transportation | 12,772 | 15,197 |
| Fire and other damages | 28,406 | 30,091 |
| Liabilities | 8,713 | 8,306 |
| Medical | 175,651 | 139,826 |
| Others | 4,318 | 4,087 |
| | 576,498 | 598,128 |

## 29. Other Expenses

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Board of Directors' remuneration | 29,000 | 29,000 |
| Others | 28,904 | 78,099 |
| | 57,904 | 107,099 |

## 30. Earnings per Share for the Year

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

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Income for the year | 625,234 | 739,277 |
| Outstanding shares | 8,000,000 | 8,000,000 |
| Earnings per share for the Year – Basic and Diluted | 0.078 | 0.092 |

## 31. Cash and Cash Equivalents

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cash on hand and at banks | 39,428 | 13,553 |
| Deposits at banks maturing within three months | 2,879,232 | 3,288,466 |
| | 2,918,660 | 3,302,019 |

## 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:

| Discerption | Major Shareholders | Board of Directors | Executive Management | Total 2017 | Total 2016 |
|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD |
| Statement of Financial Position Items: | | | | | |
| Accounts receivable | - | - | 2,574 | 2,574 | 1,614 |
| Accounts payables | - | 35,171 | - | 35,171 | 36,659 |
| Income Statement Items: | | | | | |
| Policies revenues | - | 40,209 | 4,439 | 44,648 | 43,504 |
| Various expenses | - | - | - | - | 863 |

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

| Description | 2017 JD | 2016 JD |
|---|---|---|
| Salaries and other benefits | 544,298 | 484,575 |
| Board of Directors' transportation fees | 42,000 | 42,000 |
| | 586,298 | 526,575 |

## 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, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Fair value | Book value | Fair value | Book value |
| | JD | JD | JD | JD |
| Investments properties –net | 863,354 | 1,570,817 | 865,079 | 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 identity 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.

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 | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 22,379 | 3,368 | 9,384 | 8,615 | 3,941 | 47,687 |
| After one year | 22,806 | 6,188 | 5,777 | 8,865 | - | 43,636 |
| After two years | 33,888 | 6,188 | 43,063 | - | - | 83,139 |
| After three years | 29,381 | 6,188 | - | - | - | 35,569 |
| After four years | 47,915 | - | - | - | - | 47,915 |
| Current expectations of cumulative claims | 47,915 | 6,188 | 43,063 | 8,815 | 3,941 | 109,972 |
| Cumulative payments | 39,960 | 6,188 | 5,777 | 8,615 | 3,941 | 64,481 |
| Liabilities as stated in the statement of financial position | 7,955 | - | 37,286 | 250 | - | 45,491 |
| (Deficit) from the preliminary assessment of the provision | (25,536) | (2,820) | (33,679) | (250) | 3,941 | (58,344) |

**Gross - Marine and Transportations Insurance:**

| Year of Accident | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 302,327 | 100,528 | 56,898 | 138,855 | 151,977 | 750,585 |
| After one year | 271,424 | 73,974 | 62,521 | 132,980 | - | 540,899 |
| After two years | 260,674 | 74,393 | 62,553 | - | - | 397,620 |
| After three years | 160,424 | 74,435 | - | - | - | 234,859 |
| After four years | 160,424 | - | - | - | - | 160,424 |
| Current expectations of cumulative claims | 160,424 | 74,435 | 62,553 | 132,980 | 151,977 | 582,369 |
| Cumulative payments | 95,424 | 74,435 | 62,053 | 126,980 | 68,630 | 427,522 |
| Liabilities as stated in the statement of financial position: | 65,000 | - | 500 | 6,000 | 83,347 | 154,847 |
| Excess in the preliminary estimate of the provision | 141,903 | 26,093 | (5,655) | 5,875 | 151,977 | 320,193 |

**Gross - Motor Insurance:**

| Year of Accident | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 10,706,223 | 7,841,293 | 9,301,887 | 10,405,545 | 9,299,842 | 47,554,790 |
| After one year | 12,047,050 | 8,773,127 | 11,054,851 | 12,631,966 | - | 44,506,994 |
| After two years | 11,864,551 | 8,918,000 | 11,557,819 | - | - | 32,340,370 |
| After three years | 11,888,365 | 8,804,270 | - | - | - | 20,692,635 |
| After four years | 11,702,419 | - | - | - | - | 11,702,419 |
| Current expectations of cumulative claims | 11,702,419 | 8,804,270 | 11,557,819 | 12,631,966 | 9,299,840 | 53,996,314 |
| Cumulative payments | 11,226,022 | 8,538,474 | 11,007,480 | 10,507,642 | 6,862,242 | 48,141,860 |
| Liabilities as stated in the statement of financial position | 476,397 | 265,796 | 550,339 | 2,124,324 | 2,437,598 | 5,854,454 |
| (Deficit) from the preliminary assessment of the provision | (996,196) | (962,977) | (2,255,932) | (2,226,421) | 9,299,842 | 2,858,316 |

**Gross - Fire and Other Damages to Properties Insurance:**

| Year of Accident | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 2,744,667 | 326,287 | 825,629 | 236,879 | 180,392 | 4,313,854 |
| After one year | 2,484,263 | 346,073 | 879,994 | 273,088 | - | 3,983,418 |
| After two years | 2,402,398 | 289,787 | 834,410 | - | - | 3,526,595 |
| After three years | 2,515,441 | 290,171 | - | - | - | 2,805,612 |
| After four years | 2,503,498 | - | - | - | - | 2,503,498 |
| Current expectations of cumulative claims | 2,503,498 | 290,171 | 834,410 | 273,088 | 180,392 | 4,081,560 |
| Cumulative payments | 2,130,254 | 248,462 | 655,589 | 193,203 | 132,181 | 3,359,689 |
| Liabilities as stated in the statement of financial position | 373,244 | 41,709 | 178,821 | 79,885 | 48,212 | 721,871 |
| Excess in the preliminary estimate of the provision | 241,169 | 36,116 | (8,781) | (36,209) | 180,392 | 412,687 |

**Gross - Marine and Transportations Insurance:**

| Year of Accident | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | | JD |
| As of year-end | 2,799,615 | 3,318,066 | 4,975,125 | 5,475,118 | 5,029,845 | 21,597,769 |
| After one year | - | - | - | - | - | - |
| After two years | - | - | - | - | - | - |
| After three years | - | - | - | - | - | - |
| After four years | - | - | - | - | - | - |
| Current expectations of cumulative claims | 2,799,615 | 3,318,066 | 4,975,125 | 5,475,118 | 5,029,845 | 21,597,769 |
| Cumulative payments | 2,799,615 | 3,318,066 | 4,975,125 | 5,475,118 | 4,587,605 | 21,155,529 |
| Liabilities as stated in the statement of financial position: | - | - | - | - | 442,240 | 442,240 |
| Excess in the preliminary estimate of the provision | - | - | - | - | - | - |

**Gross - Other Branches Insurance:**

| Year of Accident | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 598,263 | 4,464 | 76,032 | 27,239 | 18,062 | 724,060 |
| After one year | 611,762 | 6,120 | 117,092 | 30,285 | - | 765,259 |
| After two years | 590,694 | 6,152 | 76,092 | - | - | 672,938 |
| After three years | 575,443 | 6,152 | - | - | - | 581,595 |
| After four years | 575,443 | - | - | - | - | 575,443 |
| Current expectations of cumulative claims | 575,443 | 6,152 | 76,092 | 30,285 | 18,062 | 706,034 |
| Cumulative payments | 287,089 | 5,867 | 27,092 | 23,585 | 17,387 | 361,020 |
| Reported claims | 288,354 | 285 | 49,000 | 6,700 | 675 | 345,014 |
| **Excess in the preliminary estimate of the provision** | 22,820 | (1,688) | (60) | (3,046) | 18,062 | 36,088 |

**Gross - Life Insurance:**

| Year of Accident | 2013 & before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | | | | | | |
| After one year | 1,524,756 | 1,417,436 | 1,868,599 | 1,816,312 | 2,175,143 | 8,802,246 |
| After two years | - | - | - | - | - | - |
| After three years | - | - | - | - | - | - |
| After four years | - | - | - | - | - | - |
| Current expectations of cumulative claims | 1,524,756 | 1,417,436 | 1,868,599 | 1,816,312 | 2,175,143 | 8,802,246 |
| Cumulative payments | 1,524,756 | 1,417,436 | 1,868,599 | 1,816,312 | 1,513,961 | 8,141,064 |
| Liabilities as stated in the statement of financial position: | - | - | - | - | 661,182 | 661,182 |
| 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 Ended December 31, 2017:

| 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 | 12,306,684 | 285,844 | 1,354,177 | 220,292 | 3,990,018 | 429,445 | 1,027,285 | 19,613,745 |
| Net | 10,799,053 | 59,063 | 130,658 | 92,979 | 3,990,018 | 62,743 | 203,695 | 15,338,209 |

For the Year Ended 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 |

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

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | JD | JD | JD | JD |
| <u>According to geographical area</u> | | | | |
| Inside Jordan | 30,357,845 | 3,959,356 | 27,556,656 | 2,462,336 |
| Other Middle East countries | 158,095 | 622,725 | 176,656 | 592,776 |
| Europe | 78,884 | 172,608 | 19,385 | 190,822 |
| Africa | 5 | - | 2,359 | - |
| | 30,594,829 | 4,754,689 | 27,755,056 | 3,245,934 |

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

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | JD | JD | JD | JD |
| <u>According to Sector</u> | | | | |
| Public | 854,669 | 5,764 | 78,803 | 4,421 |
| Private sector | | | | |
| Companies and institutions | 5,901,477 | 2,675,875 | 4,491,514 | 2,066,785 |
| Individuals | 613,653 | 176,117 | 562,548 | 148,772 |
| | 7,369,799 | 2,857,756 | 5,132,865 | 2,219,978 |

## 4. Reinsurance Risks

As with other insurance companies and for the purpose of reducing exposure to financial loses 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, | | | |
| | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD |
| Increase (decrease) in the income for the year | 83,371 | 81,466 | (83,371) | (81,466) |
| Net shareholders' equity | 83,371 | 81,466 | (83,371) | (81,466) |

## 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:

| | Foreign Currency | | Jordanian Dinar | |
|---|---|---|---|---|
| | December 31, | | | |
| | 2017 | 2016 | 2017 | 2016 |
| Type of Currency: | JD | JD | JD | JD |
| US Dollar | 117,013 | 112,614 | 83,079 | 79,956 |

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, 2017 | | | | | |
|---|---|---|---|---|---|---|
| 10% | 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 * |
| Premiums | JD | JD | JD | JD | JD | JD |
| Motor | 1,109,468 | 1,107,315 | 841,560 | (1,109,468) | (1,107,315) | (841,560) |
| Marine & transport | 9,697 | 8,814 | 6,698 | (9,697) | (8,814) | (6,698) |
| Fire and other damages | 11,934 | 9,740 | 7,403 | (11,934) | (9,740) | (7,403) |
| Liability | 17,147 | 14,832 | 11,273 | (17,147) | (14,832) | (11,273) |
| Medical | 681,473 | 544,092 | 413,510 | (681,473) | (544,092) | (413,510) |
| Other branches | 4,731 | 4,846 | 3,683 | (74,731) | (4,846) | (3,683) |
| Life | 46,812 | 44,388 | 33,735 | (46,812) | (44,388) | (33,735) |
| Compensations | | | | | | |
| Motor | 975,879 | (943,630) | (717,159) | (975,879) | 943,630 | 717,159 |
| Marine & transport | 2,253 | (4,344) | (3,301) | (2,253) | 4,344 | 3,301 |
| Fire and other damages | 12,925 | (514) | (390) | (12,925) | 514 | 390 |
| Liability | 444 | (683) | (519) | (444) | 683 | 519 |
| Medical | 458,761 | (485,743) | (369,165) | (458,761) | 485,743 | 369,165 |
| Other branches | 957 | (553) | (420) | (957) | 553 | 420 |
| Life | 22,203 | (21,298) | (16,186) | (22,203) | 21,298 | 16,186 |

* 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, 2016 | | | | | |
|---|---|---|---|---|---|---|
| 10% | 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 * |
| Premiums | JD | JD | JD | JD | JD | JD |
| 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.

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

| December 31, 2017 | Up to One Month | More than 3 Months | More than 3 Months up to 6 Months | More than 6 Months up to One Year | More than one year up to 3 Years | More than 3 Years | Without Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| Liabilities: | JD | JD | JD | JD | JD | JD | JD | JD |
| Due to a bank | - | 939,928 | - | - | - | - | - | 939,928 |
| Accounts payable | - | 1,513,023 | 199,026 | 178,428 | 91,765 | - | - | 1,982,242 |
| Reinsures payable | - | 431,468 | 193,447 | 216,651 | 33,948 | - | - | 875,514 |
| Other provisions | 28,102 | - | - | - | 183,098 | - | - | 211,200 |
| Income tax provision | - | 176,546 | - | - | - | - | - | 176,546 |
| Other liabilities | 465,190 | - | - | - | 104,069 | - | - | 569,259 |
| Total | 493,292 | 3,060,965 | 392,473 | 395,079 | 412,880 | - | - | 4,754,689 |
| Assets | 2,879,232 | 3,568,407 | 17,416,935 | 2,567,483 | 620,712 | 3,542,060 | - | 30,594,829 |

| December 31, 2016 | Up to One Month | More than 3 Months | More than 3 Months up to 6 Months | More than 6 Months up to One Year | More than one year up to 3 Years | More than 3 Years | Without Maturity | Total |
|---|---|---|---|---|---|---|---|---|
| Liabilities: | JD | JD | JD | JD | JD | JD | JD | JD |
| Due to a bank | - | 253,519 | - | - | - | - | - | 253,519 |
| Accounts payable | - | 1,176,443 | 73,384 | 30,906 | 71,285 | - | - | 1,352,018 |
| 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 | 480,595 | - | - | - | 60,599 | - | - | 541,194 |
| Total | 561,673 | 1,807,949 | 292,296 | 281,677 | 302,339 | - | - | 3,245,934 |
| Assets | 2,735,890 | 3,778,888 | 1,946,527 | 15,152,823 | 919,890 | 3,221,038 | - | 27,755,056 |

## 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 2017 Profit (Loss) | Impact on the Year's Profit & Loss 2016 Profit (Loss) |
|---|---|---|---|
| | JD | JD | JD |
| Stock Exchanges | 5% Increase | 29,021 | 52,030 |
| Stock Exchanges | 5% Decrease | (29,021) | (52,030) |

## 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:

| | Assets | |
|---|---|---|
| | 2017 | 2016 |
| Geographical Area | JD | JD |
| Inside Jordan | 5,501,860 | 3,579,165 |
| | 5,501,860 | 3,579,165 |

## 7. Operating Risks

These risks arise from systems break down and international 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, | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Total assets | 30,411,517 | 27,556,656 | 183,312 | 198,400 | 30,594,829 | 27,755,056 |

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD |
| Total revenue | 19,516,499 | 19,663,761 | 3,367 | 3,085 | 19,519,866 | 19,666,846 |
| Capital expenditures | 45,372 | 132,185 | - | - | 45,372 | 132,185 |

## 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, 2017 and 2016 is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| First Primary Capital: | | |
| Paid-up capital | 8,000,000 | 8,000,000 |
| Statutory reserve | 1,249,375 | 1,164,943 |
| Voluntary reserve | 15,676 | 15,676 |
| Retained earnings | 1,236,880 | 1,296,078 |
| | 10,501,931 | 10,476,697 |
| Supplementary Capital: | | |
| Increase in investment properties value | 707,463 | 274,484 |
| | 11,209,394 | 10,751,181 |
| Second: Required capital | | |
| Capital required against assets risks | 3,077,283 | 2,959,360 |
| Capital required against underwriting liabilities | 1,991,453 | 1,924,760 |
| Capital required against reinsurers' risks | 7,156 | 10,612 |
| Capital required against life insurance | 565,316 | 447,841 |
| Total Required Capital | 5,641,207 | 5,342,573 |
| Third: Solvency margin ratio (available capital / required capital) | 199% | 201% |

## 37. Assets and Liabilities Maturities

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

| December 31, 2017 | Within One Year | More than One Year | Total |
|---|---|---|---|
| | JD | JD | JD |
| **Assets** | | | |
| Deposits at banks | 17,614,117 | - | 17,614,117 |
| Financial assets at fair value through profit or loss | 580,426 | - | 580,426 |
| Financial assets at amortized cost | - | - | - |
| Investment property | - | 863,354 | 863,354 |
| Cash on hand and at banks | 39,428 | - | 39,428 |
| Cheques under collection | 602,370 | 2,482 | 604,852 |
| Accounts receivable – net | 5,501,860 | - | 5,501,860 |
| Re-insurance and local insurance companies' accounts – debit | 855,057 | - | 855,057 |
| Deferred tax assets | 663,676 | 72,000 | 735,676 |
| Property and equipment – net | 37,872 | 3,203,741 | 3,241,613 |
| Intangible assets - net | 7,500 | 21,195 | 28,695 |
| Other assets | 529,751 | - | 529,751 |
| **Total Assets** | 26,432,057 | 4,162,772 | 30,594,829 |
| **Liabilities** | | | |
| Unearned premiums reserve – net | 8,824,270 | - | 8,824,270 |
| Claims reserve – net | 2,808,054 | 3,634,117 | 6,442,171 |
| Mathematical reserve – net | 71,768 | - | 71,768 |
| Due to a bank | 939,928 | - | 939,928 |
| Accounts payable | 1,890,477 | 91,765 | 1,982,242 |
| Re-insurance and local insurance companies' accounts - credit | 841,566 | 33,948 | 875,514 |
| Other provisions | 28,102 | 183,098 | 211,200 |
| Provision for income | 176,546 | - | 176,546 |
| Other liabilities | 465,190 | 104,069 | 569,259 |
| **Total Liabilities** | 16,045,901 | 4,046,997 | 20,092,898 |
| **Net** | 10,386,156 | 115,775 | 10,501,931 |

| December 31, 2016 | Within One Year JD | More than One Year JD | Total JD |
|---|---|---|---|
| **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 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 |
| | 23,614,128 | 4,140,928 | 27,755,056 |
| **Liabilities** | | | |
| Unearned premiums reserve – net | 7,376,169 | - | 7,376,169 |
| Claims reserve – net | 3,308,630 | 3,300,104 | 6,608,734 |
| Mathematical reserve – net | 47,522 | - | 47,522 |
| Due to a bank | 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 |

## 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 3,021,543 as of December 31, 2017 (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 755,042 as of December 31, 2017 (JD 705,379 as of December 31, 2016).

## 40. Subsequent Events

In its meeting dated February 25, 2018, the Company's Board of Directors decided to recommend to the General Assembly of shareholders to distribute cash dividends at 5% of paid-up capital of JD/share 8 million totaling JD 400 thousand form retained 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 | 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, | | | | | |
| | 2017 | 2016 | | | | |
| Financial Assets at Fair Value | JD | JD | | | | |
| Financial Assets at Fair Value through Comprehensive Income | | | | | | |
| Shares that have available market price | 580,426 | 1,040,606 | Level One | Stated Rates in financial markets | Not Applicable | Not Applicable |
| Total | 580,426 | 1,040,606 | | | | |

There were no transfers between Level 1 and Level 2 during the years 2017 and 2016.

### B -The fair value of financial assets and financial liabilities of the Company (non-specific 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.

| | December 31, 2017 | | December 31, 2016 | | |
|---|---|---|---|---|---|
| | Book value | Fair Value | Book value | Fair Value | Fair Value |
| **Financial Assets of Non-specified Fair Value** | JD | JD | JD | JD | |
| Deposits at banks | 17,614,117 | 17,931,070 | 16,546,754 | 16,875,074 | Level Two |
| Investments properties | 863,354 | 1,570,817 | 865,079 | 1,139,563 | Level Two |
| **Total Financial Assets of Non-specified Fair Value** | **18,477,471** | **19,501,887** | **17,411,833** | **18,014,637** | |

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. Application of new and revised International Financial Reporting Standards (IFRS)

### 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, 2017, have been adopted in these financial statements.

**Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses**

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

**Amendments to IAS 7 *Disclosure Initiative***

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes, the application of these amendments has had no impact on the Company's financial statements.

**Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12**

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 42- b).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

### b. New and revised IFRS in issue but not yet effective

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

**Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28**

The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

**Annual Improvements to IFRS Standards 2015–2017**

The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2018.

**IFRIC 22 *Foreign Currency Transactions and Advance Consideration***
The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is 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.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

**IFRIC 23 *Uncertainty over Income Tax Treatments***
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

**Amendments to IFRS 2 *Share Based Payment***
The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IFRS 4 Insurance Contracts**
The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 40 *Investment Property***
Paragraph 57 has been amended 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.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 28 Investment in Associates and Joint Ventures**
The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

**IFRS 16 *Leases***

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.

The Company will apply IFRS 16 in the effective date which is the annual periods beginning on or after January 1, 2019 The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

**Amendments to IFRS 9 *Financial Instruments***

The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

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

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.

The Company adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the company will adopt the finalised version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings in implementation year.

**IFRS 15 *Revenue from Contracts with Customers***
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 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes and its impact will be disclosed in the first financial statements as of December 31, 2018 that includes the effects of it application from the effective date.

**Amendments to IFRS 15 *Revenue from Contracts* with Customers**
The amendments are 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.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IFRS 7 *Financial Instruments: Disclosures***
The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied

**IFRS 7 Financial Instruments: Disclosures**
The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied

**IFRS 17 *Insurance Contracts***
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

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

The Amendments effective date deferred indefinitely and the adoption is still permitted.
Management anticipates that these new standards, interpretations and amendments will be adopted in the [Company / Group]'s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15 as highlighted in previous paragraphs, 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 January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019.