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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD
ENDED SEPTEMBER 30, 2018 TOGETHER
WITH THE REVIEW REPORT

ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
SEPTEMBER 30, 2018

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Report on Reviewed Condensed Interim Financial Information

AM/001586

To the Chairman and Board of Directors Members
of Arabia Insurance Company - Jordan
(A Public Shareholding Limited Company)
Amman – Jordan

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Arabia Insurance Company - Jordan (A Public Shareholding Limited Company) as of September 30, 2018, and the related condensed interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard No. (34) Relating to Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that the accompanying condensed interim financial information are not prepared in accordance with International Accounting Standard No. (34) relating to Interim Financial Reporting.

Explanatory Paragraph

The Company's financial year ends on December 31, of each year. However, the condensed interim financial information have been prepared for the management and Jordan securities commission purposes only.

Other Matter

The accompanying condensed interim financial information are a translation of the statutory financial statements in the Arabic language to which reference should be made.

Amman – Jordan
October 31, 2018


Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)

ديلويت أند توش (الشرق الأوسط)

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		September 30, 2018 (Reviewed (not Audited)	December 31, 2017
	Note	JD	JD
<u>ASSETS</u>			
Deposits at banks	4	7,708,933	8,101,822
Financial assets at fair value through statement of income	5	1,255,396	1,322,935
Financial assets at fair value through other comprehensive income	6	2,491,083	2,585,066
Financial assets at amortized cost	7	1,303,907	1,562,159
Investment property		2,190,015	2,229,975
Life policyholders' loans		18,686	21,608
Total Investments		14,968,020	15,823,565
Cash on hand and at banks		351,503	705,862
Cheques under collection	8	1,649,467	1,368,890
Receivables - net	9	5,714,204	5,272,348
Insurance and re-insurance companies' receivable - debit	10	2,165,277	1,554,085
Deferred tax assets	11/c	673,444	544,038
Property and equipment - net		2,520,007	2,619,736
Intangible assets - net		132,668	100,214
Other assets		1,159,900	865,395
TOTAL ASSETS		29,334,490	28,854,133
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>LIABILITIES</u>			
Unearned premiums reserve - net		7,144,904	6,427,109
Claims reserve - net		6,916,595	7,423,072
Mathematical reserve - net		552,550	635,736
Total Insurance Contracts Liabilities		14,614,049	14,485,917
Payables	12	1,445,519	1,205,524
Accrued expenses		42,496	40,270
Insurance and re-insurance companies' payable - credit	13	2,502,742	2,078,065
End-of-services indemnity provision		12,600	11,025
Provision for income tax	11/a	75,474	26,788
Deferred tax liabilities	11/c	163,926	150,337
Other liabilities		220,801	330,948
TOTAL LIABILITIES		19,077,607	18,328,874
<u>SHAREHOLDERS' EQUITY</u>			
Authorized and paid-up capital		8,000,000	8,000,000
Statutory reserve		1,214,815	1,214,815
Voluntary reserve		174,717	174,717
Investments revaluation reserve - net after tax	14	(185,275)	(113,848)
Retained earnings	16	625,744	1,249,575
Profit for the period		426,882	-
Total Shareholders' Equity		10,256,883	10,525,259
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		29,334,490	28,854,133

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED
INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH THE ACCOMPANYING REVIEW REPORT.

ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

		For the Three-Months Period Ended September 30,		For the Nine-Months Period Ended September 30,	
	Note	2018 JD	2017 JD	2018 JD	2017 JD
<u>Revenue:</u>					
Gross written premiums		6,136,913	5,880,045	17,477,236	15,720,280
<u>Less: Re-Insurers' share</u>		<u>1,754,715</u>	<u>2,003,676</u>	<u>6,036,433</u>	<u>5,604,357</u>
Net Written Premiums		<u>4,382,198</u>	<u>3,876,369</u>	<u>11,440,803</u>	<u>10,115,923</u>
Net change in unearned premiums provision		(621,825)	(552,874)	(717,795)	(594,844)
Net change in mathematical reserve		83,186	-	83,186	-
Net Written Revenue Premiums		<u>3,843,559</u>	<u>3,323,495</u>	<u>10,806,194</u>	<u>9,521,079</u>
Commissions revenue		293,804	241,810	764,532	676,356
Policies issuance service fees		245,890	232,187	751,358	689,436
Interest income		103,603	86,849	300,021	260,828
Net gain from financial assets and investments	17	(41,257)	11,877	186,093	228,478
Other revenue - net		<u>24,132</u>	<u>38,028</u>	<u>137,499</u>	<u>132,910</u>
Total Revenue		<u>4,469,731</u>	<u>3,934,246</u>	<u>12,945,697</u>	<u>11,509,087</u>
<u>Claims, Losses and Expenses:</u>					
Paid claims		4,601,798	4,149,116	14,669,803	11,865,904
<u>Add: Entitlement and qualifying policy holders</u>		<u>35,715</u>	<u>38,203</u>	<u>83,951</u>	<u>55,877</u>
<u>Less: Recoveries</u>		<u>561,878</u>	<u>560,939</u>	<u>1,691,344</u>	<u>1,402,924</u>
Re-Insurers' share		<u>1,040,986</u>	<u>1,091,743</u>	<u>3,690,060</u>	<u>3,143,910</u>
Net paid claims		<u>3,034,649</u>	<u>2,534,637</u>	<u>9,372,350</u>	<u>7,374,947</u>
Net change in claims provision		(24,737)	(186,758)	(563,097)	(173,688)
Allocated employees' expenses		307,233	397,595	957,125	980,913
Allocated general and administrative expenses		128,240	155,432	370,084	338,055
Excess of loss premiums		58,765	59,228	142,544	129,283
Policies acquisition cost		585,235	439,322	1,447,858	1,316,687
Other expenses related to underwriting		<u>78,962</u>	<u>23,500</u>	<u>240,297</u>	<u>161,777</u>
Net Claims Costs		<u>4,168,347</u>	<u>3,422,956</u>	<u>11,967,161</u>	<u>10,127,974</u>
Unallocated employees' expenses		76,808	99,399	239,281	245,228
Depreciation and amortization		36,193	35,992	108,636	106,900
Unallocated general and administrative expenses		32,060	38,858	92,521	107,082
Provision for Impairment in receivables	9,10	-	15,321	4,205	68,268
Total Expenses		<u>145,061</u>	<u>189,570</u>	<u>444,643</u>	<u>527,478</u>
Profit for the period before Tax		156,323	321,720	533,893	853,635
Income tax expense	11/B	<u>(66,776)</u>	<u>(77,212)</u>	<u>(107,011)</u>	<u>(174,067)</u>
Profit for the Period		<u>89,547</u>	<u>244,508</u>	<u>426,882</u>	<u>679,568</u>
Earnings per share for the period	18			<u>0/053</u>	<u>0/085</u>

Chairman of the Board of Directors

General Manager

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ARABIA INSURANCE COMPANY - JORDAN

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(REVIEWED NOT AUDITED)

	<u>Note</u>	<u>For the Nine-Months Period Ended September 30,</u>	
		<u>2018</u>	<u>2017</u>
		JD	JD
Profit for the period		426,882	679,568
Items not subsequently transferable to condensed interim statement of income:			
Net change in investment revaluation reserve	14	<u>(71,427)</u>	<u>(100,801)</u>
Total Comprehensive Income for the Period		<u>355,455</u>	<u>578,767</u>

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ARABIA INSURANCE COMPANY - JORDAN
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AMMAN - JORDAN

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(REVIEWED NOT AUDITED)

	Note	Authorized and Paid - up Capital	Statutory Reserve	Voluntary Reserve	Investment Revaluation Reserve	Retained Earnings (Accumulated Losses)			Profit for the period	Total
						Realized	Unrealized	Total		
For the Nine Months Period Ended September 30, 2018										
Balance - as of January 1, 2018 (as previously disclosed)		8,000,000	1,214,815	174,717	(113,848)	550,766	698,809	1,249,575	-	10,525,259
IFRS (9) Implementation Impact - (Note 2)		-	-	-	-	-	(303,831)	(303,831)	-	(303,831)
The Adjusted Balance as of January 1, 2018		8,000,000	1,214,815	174,717	(113,848)	550,766	394,978	945,744	-	10,221,428
Profit for the period		-	-	-	-	-	-	-	426,882	426,882
Change in investment revaluation reserve		-	-	-	(71,427)	-	-	-	-	(71,427)
Total Comprehensive Income		-	-	-	(71,427)	-	-	-	426,882	355,455
Dividends *	15	-	-	-	-	(320,000)	-	(320,000)	-	(320,000)
Transfers during the period		-	-	-	-	(26,233)	26,233	-	-	-
Balance - as of September 30, 2018		8,000,000	1,214,815	174,717	(185,275)	204,533	421,211	625,744	426,882	10,256,883
For the Nine Months Period Ended September 30, 2017										
Balance - beginning of the year		8,000,000	1,159,299	174,717	(30,727)	796,153	658,074	1,454,227	-	10,757,516
Profit for the period		-	-	-	-	-	-	-	679,568	679,568
Change in investment revaluation reserve		-	-	-	(100,801)	-	-	-	-	(100,801)
Total Comprehensive Income		-	-	-	(100,801)	-	-	-	679,568	578,767
Dividends *	15	-	-	-	-	(600,000)	-	(600,000)	-	(600,000)
Transfers during the period		-	-	-	-	(63,347)	63,347	-	-	-
Balance - as of September 30, 2017		8,000,000	1,159,299	174,717	(131,528)	132,806	721,421	854,227	679,568	10,736,283

- The retained earnings includes JD 154,770 as of September 30, 2018, representing the cumulative change in the fair value transferred to the retained earnings as a result of applying IFRS 9. This amount may not be used according to the instructions of Jordan Securities Commission.

- The retained earnings includes JD 673,444 as of September 30, 2018, restricted against deferred tax assets (JD 544,038 as of 31 December 2017) (Note 11 / C).

- The negative balance of the investments revaluation reserve in the amount of JD 185,275 as of September 30, 2018 is restricted according to the Jordan Securities Commission instructions.

* The General Assembly approved in its ordinary meeting held in April 23, 2018 to distribute cash dividends in the amount of JD 320,000 which is equivalent to 4% from the Company's paid-up capital in 2017 (JD 600,000 for the past year).

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

		For the Nine-Months Period Ended September 30,	
	Note	2018	2017
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the period before tax		533,893	853,635
Adjustments:			
Depreciation and amortization		108,636	106,900
(Gain) from sale of equipment and property		(1,669)	-
Investments property depreciation	17	39,960	39,960
Impairment in accounts receivable Provision	9,10	4,205	68,268
Revaluation loss on financial assets at fair value through statement of income	17	67,539	1,136
Provision for employees end of service indemnity		1,575	1,526
Loss on the impairment Provision of financial assets at amortized cost	17	28,496	22,457
Net Change in unearned premiums provision		717,795	594,844
Net change in claims provision		(563,097)	(173,688)
Net change in mathematical reserve		(83,186)	-
Cash Flows from Operating Activities before Changes in Assets and Liabilities		854,147	1,589,666
(Increase) decrease in Financial Assets:			
Financial assets at fair value through statement of income		-	(41,100)
Checks under collection		(280,577)	(59,012)
Accounts receivable		(740,527)	(727,236)
Companies and re-insurance receivable - debit		(639,923)	(1,040,602)
Other assets		(150,285)	(109,708)
Increase (decrease) in Financial Liabilities:			
Accounts payable		239,995	369,019
Accrued Expenses		2,226	(16,377)
Companies and re-insurance payable - credit		424,677	52,870
Other liabilities		(121,533)	(38,517)
Net Cash Flows (used in) Operating Activities before taxes		(411,800)	(20,997)
Taxes paid	11\A	(61,330)	(112,239)
Net Cash Flows (used in) Operating Activities		(473,130)	(133,236)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposits at banks (maturing in three months)		(551,684)	142,022
Financial asstes at amortized cost-net		71,266	(158,121)
Life policyholders' loans		2,922	(3,510)
(Purchase) of property and equipment		(8,231)	(19,765)
Proceeds from sale of equipment		4,539	-
(Purchase) of intangible assets		-	(24,790)
(Payments) for Purchase of intangible assets		(36,000)	(36,000)
Net Cash Flows (used in) Investing Activities		(517,188)	(100,164)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends Paid		(308,614)	(579,871)
Net Cash Flows (Used in) Financing Activities		(308,614)	(579,871)
Net (Decrease) in Cash and Cash Equivalents		(1,298,932)	(813,271)
Cash and cash equivalents - beginning of the year		6,101,449	7,101,303
Cash and Cash Equivalents - End of the Period	19	4,802,517	6,288,032

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-JORDAN
NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED))

1. General

- a. Arabia Insurance Company - Jordan was established in 1975 and registered as a Jordanian Public Shareholding Company under No. (90). with headquarters in Amman - The Hashemite Kingdom of Jordan - Sharif Abdul Hamid Sharaf Street, Shmeisani P.O. 20031 Amman 11118 - Jordan and an authorized capital of JD 2 million divided over 2 million shares, with a par value of JD 1 per share. Moreover, the company's Capital was increased in several stages, the last of which was on February of the year 2008 so that it became JD 8 million divided over 8 million shares.
- b. Pursuant to the resolution of the General Assembly for the shareholders on April 30, 2012, the name of the company was changed on May 31, 2012 to "Arabia Insurance Company - Jordan" instead of "General Arabia Insurance Company".
- c. Arabia Insurance Company - Jordan is 51% owned by Arabia Company (Holding Company - Lebanon).
- d. The accompanying condensed interim financial statements were approved by the Board of Directors at its meeting No. (175) held on October 31, 2018.

2. Significant accounting policies

Basis of preparation of the condensed interim financial statements

- The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) No. 34 (Interim Financial Reporting) under the models developed by the Insurance Department.
- The interim condensed financial statements have been prepared according to the historical cost convention except for financial assets and financial liabilities stated at fair value at the date of the interim condensed financial statements.
- The interim condensed financial statements are reported in Jordanian Dinars, which is the Company's functional currency.
- The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Company's annual report as of December 31, 2017. Moreover, the results of operations for the nine-months period ended September 30, 2018 do not necessarily provide an indication of the expected results for the year ending December 31, 2018. The company's profits for the nine-month period ended September 30, 2018 have not been appropriated; as such appropriations will be made at the end of the year.
- The accounting policies adopted in preparing the condensed interim financial statements are consistent with those applied in the year ended December 31, 2017 except for the effect of the adoption of the new and revised standards which are applied on or after the first of January of 2018 as follow:
 - a. **Amendments with no material effect on the condensed interim financial statements of the Company:**

Annual Improvements to IFRS Standards 2014 – 2016 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.

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.

IFRIC 22 Foreign Currency Transactions and Advanced Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) or on de-recognition of a non-monetary asset or liability arising from advance considerations.

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to IAS 40 Investment Property

These amendments show when the entity shall transfer (reclass) a property including investments under process or development to, or from, investment property.

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: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes 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.

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.

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.

b. Amendments effective on the condensed interim financial statements of the Company

IFRS 9 Financial Instruments

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 finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. And a new version of the new standard includes the requirements of recognition, measurement, impairment and hedge accounting.

The final version of IFRS 9 relating to financial instruments was replaced which relates to the credit loss model incurred in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, replacing a model for expected credit losses. The Standard includes a business model for debt instruments, loans, financial liabilities, financial guarantee contracts, deposits and receivables, but does not apply to equity instruments.

The Company calculated the initial impact of the International financial reporting standard (IFRS 9), as it is not material, it has not been reversed in the attached condensed interim financial statements.

In case there is a low credit risk to the financial asset at the date of initial application of IFRS (9), the credit risk relating to the financial asset is considered to have not been changed substantially since its initial recognition.

In accordance with IFRS 9 Financial Instruments the expected credit losses are recognized at an early date in accordance with IAS 39.

The revised version of IFRS 9 (2014) (Financial Instruments) includes a classification mechanism for financial assets and liabilities. IFRS 9 requires all financial assets to be classified based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

There is no material difference in the classification of financial assets and liabilities arising from the adoption of IFRS 9 for the year 2014.

Following the updated policies above do not effect the presented amounts neither the disclosures in the condensed Interim financial statements, except the use and implementing of IFRS (9).

IFRS 9 Implementation Impact for the year 2014

The impact of implementing the changes in accounting policies to the interim condensed financial statements of the Company is based on a preliminary study provided by the Company, which will be revisited before the year end.

	International Accounting Standard (39) JD	International Financial Reporting Standard (9) – Financial Instruments JD	Impact of the standard JD
Accounts receivable – net Insurance and re-Insurers	5,272,348	4,981,178	(294,466)
Companies receivables debit - net	1,554,085	1,525,354	(28,731)
Financial assets at amortized cost	1,562,159	1,491,269	(70,890)
Deferred tax assets	544,038	634,294	90,256
Retained earnings	1,249,575	945,744	(303,831)

3. Use of estimates

Preparation of the condensed interim financial information 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 investments revaluation reserve that appears in Statement of Comprehensive Income and within equity. In particular, the Company's management are required to issue significant judgments to assess expected future cash flows and their timing. The above-mentioned 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 situations of those estimates in the future.

We believe that the estimates within the condensed interim financial statements are reasonable and consistent with the estimates used at the end of year 2017 except for the use and application of the special estimates of IFRS (9).

4. Deposits at banks

This item consists of the following:

	September 30, 2018			December 31, 2017
	Deposits Maturing Within one Months JD	Deposits Maturing Within three Months JD	Deposits Maturing after three Months JD	Total JD
Inside Jordan	2,744,682	1,706,332	3,257,919	7,708,933
				8,101,822

- Interest rates on Bank deposits denominated in Jordanian Dinar range from 4/5% to 6% During the period in the year 2018.
- Deposits collateralized to the order of the Director General of the Insurance Commission in addition to his position amounted to JD 325,000 as of September 30, 2018 and December 31, 2017 at Jordan Ahli Bank and matures after more than three months.
- There are no restricted balances except for deposits mortgaged to the order of the Director General of the Insurance Commission in addition to his position.

5. Financial Assets at Fair Value through Statement of Income

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
Quoted shares at Amman Stock Market	<u>1,109,846</u>	<u>1,177,385</u>

Outside Jordan

Bonds and Jordan Government loan*	<u>145,550</u>	<u>145,550</u>
	<u>1,255,396</u>	<u>1,322,935</u>

- * This amount represent the Jordan Government loan, which listed in London market and matures in October 10, 2047.

6. Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
<u>Inside Jordan</u>		
Quoted shares	2,357,883	2,451,866
Unquoted shares	62,300	62,300
	<u>2,420,183</u>	<u>2,514,166</u>
<u>Outside Jordan</u>		
Quoted investment fund *	<u>70,900</u>	<u>70,900</u>
	<u>2,491,083</u>	<u>2,585,066</u>

- * This item represent investment in quoted investment fund with variable interest and no maturity date noting that the capital is not guaranteed.

7. Financial Assets at Amortized Cost

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
<u>Inside Jordan</u>		
Company's loan debentures and bonds	800,000	909,500
Provision for impairment in value *	(40,000)	(43,800)
	<u>760,000</u>	<u>865,700</u>
<u>Outside Jordan</u>		
Company's loan debenture and bonds	570,495	641,761
Foreign governmental loan debentures and bonds	71,699	71,699
Provision for impairment in value *	(98,287)	(17,001)
	<u>543,907</u>	<u>696,459</u>
	<u>1,303,907</u>	<u>1,562,159</u>

- * Movement on provision for impairment of financial assets at amortized cost is as follows:

	For the Nine Month Period Ended September 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance – Beginning of the period / year	60,801	31,545
IFRS (9) Implementation Impact – note (2)	70,890	-
	131,691	31,545
Additions during the period / year	50,396	29,256
(Transferred) during the period *	(21,900)	-
(Recoveries) during the period / year *	(21,900)	-
Balance – End of the Period / Year	138,287	60,801

- * During the year 2018, the secretary of loans issuance for the Specialized Compounds Company has seized over the mortgage property, as a loan issuance guarantee. However, the Company's shares in the seized property value is JD 147,193 which is equivalent to 1% from the total seized value of the property, due to that, the Company has reclassified the property as other assets – net, and recovered JD 21,900 from the provision.

- This table shows the details of financial assets at amortized cost before deducting the provision:

Bonds	Less than one year	more than one year	total	Matured Date	Interest rate
	JD	JD	JD		
Lebanon bonds	-	71,699	71,699	9/3/2020	6.375%
SBER Bank bonds	-	128,673	128,673	29/10/2022	5.125%
TELEMAR bonds	-	67,396	67,396	23/10/2020	5.500%
AL BARAKA TURK bonds	157,957	-	157,957	30/6/2019	6.250%
BAHRAIN bonds	-	144,244	144,244	26/1/2021	5.875%
PEMEX bonds	-	72,225	72,225	4/2/2021	6.375%
Arabian International Hotels Bonds	-	300,000	300,000	22/1/2022	5.50%
Jordan Ahli Bank Company	-	500,000	500,000	12/10/2023	6.75%
	<u>157,957</u>	<u>1,284,237</u>	<u>1,442,194</u>		

- * Analysis of financial assets at amortized cost- net

	September 30, 2018	December 31, 2017
	JD	JD
Fixed return	1,303,907	1,562,159
	<u>1,303,907</u>	<u>1,562,159</u>

- PETROBRAS bonds was settled on May 9, 2018

8. Cheques Under Collection

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
Cheques Under Collection *	1,649,467	1,368,890
	<u>1,649,467</u>	<u>1,368,890</u>

- * The maturities of cheques under collection of JD 1,648,817 extend to September 30, 2019, and JD 650 to December 3, 2019.
- There is concentration in Cheques under collection from the Company's main agent as of September 30, 2018 whereby its balance is equal to JD 642 thousand which is equivalent to %39 of the total cheques under collection.

9. Accounts Receivable - Net

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
Policyholders receivable	4,950,689	4,422,282
Agents receivable	1,683,743	1,487,126
Brokers receivable	21,173	2,444
Employees receivable	13,533	7,029
Other receivables	60,561	70,291
	6,729,699	5,989,172
<u>Less: Provision for impairment of doubtful debts *</u>	<u>(1,015,495)</u>	<u>(716,824)</u>
Accounts Receivables - Net	<u>5,714,204</u>	<u>5,272,348</u>

- There is concentration in account receivables from the Company's main agent as of June 30, 2018 whereby its balance is equal to JD 1,642 thousand which is equivalent to %24 of the total account receivable.

* Movement on the provision for impairment receivables is as follows:

	For the Nine Month Period Ended September 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance at the beginning of the period / year	716,824	697,362
IFRS (9) Implementation Impact - note (2)	294,466	-
	1,011,290	697,362
Provision during the period / year	4,205	19,462
Balance - End of the Period / Year	<u>1,015,495</u>	<u>716,824</u>

10. Insurance and Reinsurance Companies Receivable - Debit

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
Local insurance companies	1,627,321	1,118,849
Foreign re-insurance companies	753,114	621,663
	2,380,435	1,740,512
<u>Less: Provision for impairment of re-insurance receivable *</u>	<u>(215,158)</u>	<u>(186,427)</u>
Companies and Re-insurers Receivable - Net	<u>2,165,277</u>	<u>1,554,085</u>

* Movement on the provision for impairment-of-re-insurance receivable is as follows:

	For the Nine Month Period Ended September 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance at the beginning of the period / year	186,427	187,318
IFRS (9) Implementation Impact - note (2)	38,731	-
	215,158	187,318
(Surplus) during the period / year	-	(891)
Balance at end of Period / Year	<u>215,158</u>	<u>186,427</u>

11. Income Tax

a. Income tax provision

- Movement on the income tax provision was as follows:

	For the Nine Month Period Ended September 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance at the beginning of the period / year	(26,788)	(54,066)
Income tax paid on bank interest	11,310	16,734
Income tax paid on account	50,020	100,371
Income tax expense for the period / year	(110,016)	(89,827)
Balance at the – End of the Period / Year		
Debit (Credit) *	(75,474)	(26,788)

b. Income tax in the condensed interim statement of income represents the following:

	For the Nine-Months Period Ended September 30,	
	2018	2017
	JD	JD
Income tax expense accrued on the profits of the period	(110,016)	(184,892)
Deferred tax assets	16,594	31,515
Deferred tax liabilities	(13,589)	(20,690)
Income tax expense for the period	(107,011)	(174,067)

- The income tax for the Company has been settled up to the end of the year 2015. Moreover, the tax returns for the 2016 and 2017 were filed, and the resulting amounts were paid on time and they have not been reviewed yet.
- An Income tax provision had been calculated and booked for the nine-month period ended September 30, 2018 in compliance with Jordan Income Tax Law. In the opinion of management and its tax consultant, the Company will not have any liabilities greater than the provision at September 30, 2018.

c. The movement on deferred tax assets and liabilities was as follows:

	For the Nine-Months Period Ended September 30, 2018		For the Year Ended December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the period / year	544,038	150,337	503,304	121,388
IFRS (9) Implementation Impact – note (2)	90,256	-	-	-
	634,294	150,337	503,304	121,388
Additions	111,948	13,589	65,136	28,949
Disposal	(72,798)	-	(24,402)	-
Balance at the – End for the Period / Year	673,444	163,926	544,038	150,337

d. Deferred Tax Assets / liabilities

This item consists of the following:

Accounts included	For the Nine-Months Period Ended September 30, 2018					For the Year Period Ended December 31, 2017
	Balance – beginning of the period	Released amounts	Addition amounts	Balance – End of the Period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
A. Deferred tax assets						
Provision for doubtful debts	903,251	-	4,205	907,456	217,789	216,780
IFRS(9)Implementation Impact – note(2)	394,087	-	-	394,087	90,256	-
IBNR provision	1,031,279	-	98,952	1,130,231	271,256	247,507
End of services indemnity Provision	11,025	-	1,575	12,600	3,024	20,557
Other provisions	74,628	73,682	-	946	227	
Revaluation reserve for financial assets at fair value through comprehensive income	149,800	149,800	243,783	243,783	58,508	35,952
Revaluation losses on financial assets at fair value through statement of income	36,042	36,042	67,539	67,539	16,209	8,650
Impairment losses on financial assets at amortized cost	60,801	43,800	50,396	67,397	16,175	14,592
	<u>2,660,913</u>	<u>303,324</u>	<u>466,450</u>	<u>2,824,039</u>	<u>673,444</u>	<u>544,038</u>
B. Deferred tax liabilities *						
Recovered claims	<u>626,404</u>	<u>-</u>	<u>56,620</u>	<u>683,024</u>	<u>163,926</u>	<u>150,337</u>

- Deferred taxes were calculated based on the effective tax rate of 24%, and management believes that the deferred tax assets will be utilized in the near future.

12. Accounts Payable

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
Agents payable	65,452	59,029
Employees payable	1,087	8,380
Brokers payable	519,347	453,392
Clients payable	595,143	474,175
Medical payable	8,839	11,761
Others	255,651	198,787
	<u>1,445,519</u>	<u>1,205,524</u>

13. Companies and Re-insurance Payable – Credit

This item consists of the following:

	September 30, 2018	December 31, 2017
	JD	JD
Local insurance companies	415,968	457,405
Foreign re-insurance companies	1,077,234	757,761
Re-insurers' deposits	1,009,540	862,899
	<u>2,502,742</u>	<u>2,078,065</u>

14. Investment Revaluation Reserve

This amount represents (decrease) the change in fair value of financial assets at fair value through other comprehensive income after tax.

The details of this item is as follows:

	September 30, 2018	December 31, 2017
	JD	JD
Balance at the beginning of the period / year	(113,848)	(30,727)
Changes in Investment Revaluation Reserve - Net	(71,427)	(83,121)
Balance – End of Period / Year	<u>(185,275)</u>	<u>(113,848)</u>

15. Dividend

The General Assembly for shareholders on its ordinary meeting held on April 23, 2018 approved the Board of Directors' recommendation to distribute JD 320,000 as cash dividends to shareholders for the year 2017, equivalent to 4% of its Paid-up capital (JD 600,000 for the previous year).

16. Retained Earnings

This item consists of the following:

	For the Nine Month Period Ended September 30, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance at the beginning of the period / year	1,249,575	1,454,227
IFRS (9) Implementation Impact – note (2)	<u>(303,831)</u>	-
The adjusted balance as of January 1, 2018	945,744	1,454,227
Profit for the year	-	450,864
Dividend	(320,000)	(600,000)
Transferred to reserves	-	(55,516)
Balance – End of Period / Year	<u>625,744</u>	<u>1,249,575</u>

17. Net Gain from Financial Assets and Investments

This item consists of the following:

	For the Nine-Months Period Ended September 30, 2018	2017
	JD	JD
Interests on financial assets at amortized cost	76,972	42,668
Dividends revenue from financial assets at fair value through statement of income	50,893	55,956
Dividends revenue from financial assets at fair value through other comprehensive income	143,717	142,404
Net change in fair value of financial assets at fair value through statement of income	(67,539)	(1,136)
Investment property depreciation	(39,960)	(39,960)
Profit on the disposal of financial assets at fair value through statement of income	-	497
Provision for impairment in financial assets at amortized cost	(28,496)	(22,457)
Rent revenue from investment property	<u>50,506</u>	<u>50,506</u>
	<u>186,093</u>	<u>228,478</u>

18. Earnings per Share for the Period

Earnings per share is calculated by dividing the profit for the period by the number of shares. The details are as follows:

	For the Nine-Months Period Ended September 30,	
	2018	2017
	JD	JD
Profit for the period	426,882	679,568
Number shares	8,000,000	8,000,000
Earnings per Share for the Period	-/053	-/085

19. Cash and Cash Equivalents

The details of this item are as follows:

	September 30,	
	2018	2017
	JD	JD
Cash on hand and at banks	351,503	1,158,443
Deposits at banks maturing within three months	4,451,014	5,129,589
	4,802,517	6,288,032

20. Balances and transactions with Related Parties

The Company entered into transactions with major shareholders, members of the Board of Directors, and top executive management within its ordinary course of business. All insurance credit granted to related parties are considered operating, and no related provisions have been taken.

The pricing policy and terms related to these transactions are approved by the Company's management.

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

	September 30, 2018			Total	
	Major Shareholders	Board Members	Top Executive Management	September 30, 2018	December 31, 2017
Items included in the interim condensed statement of financial position:	JD	JD	JD	JD	JD
Accounts receivable	9,291	285,572	174	295,037	144,352
Accounts payable	-	32,317	28	32,335	186,144
					For the Nine-Month Period Ended September 30, 2017
	For the Nine-Month Period Ended September 30, 2018				2017
Items included in the interim condensed statement of income:					
Underwriting Premiums	68,688	528,220	664	597,572	1,213,820
Compensation	-	1,255,267	426	1,255,693	1,047,586
Salaries and Rewards	-	35,000	217,725	252,725	220,737
Travel and Transportation	-	19,150	5,598	24,748	35,394

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

<u>Description</u>	September 30,	
	2018	2017
JD	JD	JD
Salaries, rewards and other benefits	233,323	225,692
Rewards, transportation, and accommodation allowances for members of the board	54,150	30,439
	<u>287,473</u>	<u>256,131</u>

21. Segment Analysis

a. Information about the Company's business sectors:

For administrative purposes, the company was organized into two sectors of business, the general insurance sector including vehicle insurance, transport insurance, fire insurance, other damage to property, liability insurance and life insurance sector. These two sectors form the basis for the company to show information on key sectors. The above two sectors also include investments and cash management for the Company's own account. Transactions between business segments are carried out on the basis of estimated market prices and on the same terms used with other parties.

b. Geographical Distribution Information

The table below represents the geographical distribution of the company's business. The Company carries out its activities in the kingdom which represents the local business.

Following is the distribution of Revenues, Expenses, and Capital Expenditures according to the geographical distribution:

	Inside Jordan		Outside Jordan		Total	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	JD	JD	JD	JD	JD	JD
Total Assets	27,965,194	27,519,008	1,369,296	1,335,125	29,334,490	28,854,133
	For the Nine-Months Period Ended September 30,		For the Nine-Months Period Ended September 30,		For the Nine-Months Period Ended September 30,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total Revenue	12,395,549	10,864,244	550,148	644,843	12,945,697	11,509,087
Capital Expenditures	44,231	44,555	-	-	44,231	44,555

22. Lawsuits against the Company

There are lawsuits against the Company claiming compensation on various accidents. The lawsuits at courts with determined amounts totaled JD 14,458,104 as at September 30, 2018 (JD 14,470,266 as at December 31, 2017). These lawsuits include a lawsuit for JD 12,639,041 in which the other party claims damages resulting from a fire incident, knowing that the company's share does not exceed 2.5% of that claim in the event of any obligation being met as a result of this claim. In the opinion of the Company's management and its lawyer, this damage is not covered by the Company's insurance policy issued by the company. Consequently, the other party has absolutely no right to the said damages. The Company has taken sufficient provisions to meet any obligations in respect of these cases. Based on the foregoing, in the opinion of the Company's management and its lawyer, the Company will not incur obligations in excess of the provision within the net claims provision.

23. Contingent Liabilities

There are commitments by the company against bank guarantees of JD 446,461 as of September 30, 2018 and its cash deposits amounted to JD 1,000 as of that date (bank guarantees amounting to JD 364,087 as of December 31, 2017).

24. Fair Value Hierarchy

a. Fair value financial assets measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of the financial period. The following table shows how the fair value of these financial assets is determined. (valuation techniques and key input).

Financial Assets	Fair Value		Fair Value Level	Methods of evaluation and inputs used	Significant Intangible Inputs	Relationship between significant intangibles inputs and fair value
	September 30, 2018	December, 31 2017				
	JD	JD				
Financial assets at fair value through statement of income:						
Quoted shares	1,109,846	1,177,385	Level 1	As Stock Market	Not Applied	Not Applied
Bonds and Jordan Government loans	145,550	145,550				
	<u>1,255,396</u>	<u>1,322,935</u>				
Financial Assets at fair value through comprehensive income:						
Quoted shares	2,357,883	2,451,866	Level 1	As Stock Market	Not Applied	Not Applied
Quoted investment fund	70,900	70,900	Level 1	As Stock Market	Not Applied	Not Applied
Unquoted shares	62,300	62,300	Level 2	At Cost	Not Applied	Not Applied
	<u>2,491,083</u>	<u>2,585,066</u>				
Total Financial Assets at Fair Value	<u>3,746,479</u>	<u>3,908,001</u>				

There were no transfers between Level 1 and Level 2 during the first nine month-period of the year 2018 and the year 2017.

b. Financial Assets and Financial Liabilities Not Measured at Fair Value on a Recurring Basis:

Except as shown in the table below, we believe that the carrying amount of the financial assets and financial liabilities at fair value in the Company's condensed interim financial statements approximates their fair value because of their short term maturity or reprising of interest during the period.

	September 30, 2018		December 31, 2017		Fair value level
	Book value	Fair value	Book value	Fair value	
	JD	JD	JD	JD	
Financial assets not determined at fair value					
Deposits at banks	7,708,933	7,862,888	8,101,822	8,183,882	Level 2
Financial assets at Amortized cost	1,303,907	1,336,736	1,562,159	1,593,812	Level 2
Property investment	<u>2,190,015</u>	<u>2,398,850</u>	<u>2,229,975</u>	<u>2,398,850</u>	Level 2
Total Financial assets not determined at fair value	<u>11,202,855</u>	<u>11,598,474</u>	<u>11,893,956</u>	<u>12,176,544</u>	

For the items listed above, fair value of level 2 financial assets at fair value has been determined according to an agreed upon pricing model, which reflect credit risks to the parties dealt with, as for property investment the fair value considered by the real estate appraisers according to latest valuation reports to these assets.