

المرجع: م.م. / ٢٠١٩ / لدفع
السادة هيئة الأوراق المالية م.م. يد / ص ٤٤
السادة بورصة عمان م.م. البعير
التاريخ: ٢٠١٩/٤/١٤
Date: - 14/4/2019
٤/١٥

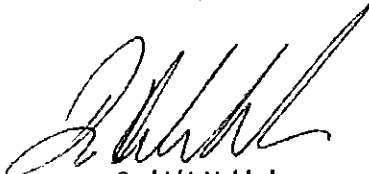
Subject: Annual Financial Statements
for the year ending December
31, 2018 in English Language
الموضوع: البيانات المالية لشركة التأمين العربية -
الأردن عن السنة المنتهية بتاريخ ٣١ كانون الأول
٢٠١٨ باللغة الانجليزية


Dear Sirs,
Kindly find attached the Audited Financial Statements of ARABIA Insurance Co. - Jordan in English language, noting that these statements are subject to the approval of Ministry of Trade and Industry - Insurance Division.

تحية طيبة وبعد.
نرفق لكم طيه البيانات المالية السنوية المدققة لشركة التأمين العربية - الأردن للسنة المنتهية بتاريخ ٣١ كانون الأول ٢٠١٨ باللغة الانجليزية. علماً أن هذه القوائم خاضعة لموافقة وزارة الصناعة والتجارة والتأمين - إدارة التأمين.

Kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام...


Rashid J. Habbab
General Manager


رشيد جودت الهباب
المدير العام



هيئة الأوراق المالية
الدائرة الإدارية / الديوان
١٥ نيسان ٢٠١٩
الرقم المتسلسل
الجهة المختصة

شركة التأمين العربية - الأردن م.م. ARABIA Insurance Co. - Jordan Ltd.

هاتف: ٩٦٢ ٦ ٥ ٣٣٠ ٣٠٣ • فاكس: ٩٦٢ ٦ ٥ ٣٢٢ ٣٠٣ • صندوق بريد: ٢٠٠٣١ عمان ١١١١٨ الأردن
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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
DECEMBER 31, 2018

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Independent Auditor's Report

AM/ 001586

To the Shareholders of
Arabia Insurance Company – Jordan
(A Public Shareholding Company)
Amman – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arabia Insurance Company – Jordan (A Public Shareholding Company), which comprise the statement of financial position as at December 31, 2018, 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, 2018, 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.

Other Matter

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

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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters

Application of the International Financial Reporting Standard Number (9) "Financial Instruments"

The Company has adopted IFRS 9 "Financial Instruments" effective January 1st, 2018, this standard supersedes the requirements of IAS 39 "Financial instruments - recognition and measurement".

Implementing the IFRS is considered to be key audit matter, that requires management to use significant accounting estimates and measurements applying the method of expected credit loss.

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company's management has applied a simplified approach to the calculate expected credit loss ("ECL") and determine the allowance for impairment of accounts receivable. The ECL model involves the use of various assumptions, macro-economic factors and the study of historical trends relating to the Company's accounts receivable collections experience.

As of December 31, 2018, the carrying amount of accounts receivable and financial assets subject to impairment requirements amounted to approximately JD 19.3 million and the provision for expected credit loss amounted to approximately JD 1.3 million.

The adequacy of the Provision for Expected Credit Losses on Financial assets

Accounts receivable and financial assets constitute a major part of the Company's assets, and because of the importance of the judgements used to prepare future estimates and forecast set forth in IFRS (9), it was considered as key audit matter.

The Company's management exercises significant judgment and uses assumptions to determine both the timing and amount of provision to be recorded as expected credit losses.

The Company's total accounts receivable and financial assets subjected to impairment requirements are amounted to approximately JD 19.3 million, and the related provision for expected credit losses amounted to JD 1.3 million as of December 31, 2018.

Scope of Audit to Address the Risk

We performed the following procedures in respect to the implementation of IFRS 9:

- Reviewed management's assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation.
- Reviewed the expected credit losses model developed by management and the reasonableness of the methodology in comparison to accepted best practice. We also tested the accuracy of arithmetical the model;
- Tested key assumptions, used by management, by comparing to historical data. We also considered the incorporation of forward looking factors to reflect the impact of future events on expected credit losses;
- Reviewed of the receivables aging and the credit risk for the financial assets subject to the impairment requirements which have been provided to us by the Company's management.
- Involved our specialists to review the methodology used in the expected credit losses model; and compared it against accepted best practice.

The important accounting policies and accounting estimates are presented in Notes (2) and (3) to the financial statements.

We have understood the Company's key operations used in the preparation of the assumptions and estimates used and set forth in International Financial Reporting Standard (9).

We have also read out the Company's expected credit loss provisioning policy in relation to International Financial Reporting Standard (9). Furthermore, we have understood the methodology used by the Company to determine the provisions against each category, and the reasonableness of the underlying assumptions, the adequacy of the data used by the Company, and the use of experts were appropriate to satisfy ourselves about these data.

Key Audit Matters

Scope of Audit to Address the Risk

We have selected a sample of accounts receivable and financial assets subjected to impairment requirements to review the following:

- The completeness of accounts receivable information included in the calculation process of expected credit loss.
- The appropriateness of the Company's determination of the significant increase in credit risk and the basis for the classification of exposures into different stages.
- Reviewing and understanding the models used by the Company based on the simplified approach and the appropriateness with the International Financial Reporting Standard (9).
- Management's estimate of future cash flows, their reasonableness, and outcome of the calculation of provisions.

The significant accounting policies, accounting estimates, and management disclosures are presented in notes (2) and (3) to the financial statements

Technical Provisions

Technical provisions are key audit matters. Moreover, technical provisions amounted to approximately JD 14 million, representing approximately 72% of total liabilities as of December 31, 2018. In addition, the Company assesses technical provisions according to the requirements of International Financial Reporting Standards and 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 based on the related signed agreements. Furthermore, Executive Management appoints a certified actuary and a loss adjuster to periodically review the adequacy of the technical provisions.

The followed audit procedures include understanding the nature of the technical provisions, testing the adopted internal control environment, assessing the reasonableness of the estimates and assumptions, and the adequacy of the provisions prepared by management. This is carried out through studying a sample of the technical provisions and reinsurers' share and its calculation, obtaining the support of the loss adjuster and the Company's lawyer, and comparing the sample with its related provisions. In addition, the certified actuary's reports were reviewed in respect to the adequacy of the technical provisions. Moreover, we assessed the appropriateness adequacy of disclosures on the technical provisions.

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 ISAs, 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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 Regulatory Requirements

The Company maintains proper accounting records and entries that comply, in all material respects, with the accompanying financial statements, and we recommend that they be approved by the General Assembly of shareholders.

Amman – Jordan
March 31, 2019


Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010105

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

<u>ASSETS</u>	<u>Note</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
		<u>JD</u>	<u>JD</u>
Deposits at banks	4	7,764,215	8,101,822
Financial assets at fair value through statement of income	5	1,215,317	1,322,935
Financial assets at fair value through other comprehensive income	6	2,415,212	2,585,066
Financial assets at amortized cost	7	1,359,701	1,562,159
Investment property	8	2,176,695	2,229,975
Life insurance policyholders' loans	9	19,971	21,608
Total Investments		<u>14,951,111</u>	<u>15,823,565</u>
Cash on hand and at banks	10	960,575	705,862
Cheques under collection	11	3,222,331	1,368,890
Receivables - net	12	3,611,983	5,272,348
Re-insurance and insurance companies' accounts receivable	13	2,000,385	1,554,085
Deferred tax assets	14/C	783,913	544,038
Property and equipment - net	15	2,486,535	2,619,736
Intangible assets - net	16	143,486	100,214
Other assets	17	1,447,849	865,395
TOTAL ASSETS		<u>29,608,168</u>	<u>28,854,133</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>LIABILITIES</u>			
Unearned premiums reserve - net		6,690,545	6,427,109
Claims reserve - net		6,826,710	7,423,072
Mathematical reserve - net	18	517,216	635,736
Total Insurance Contracts Liabilities		<u>14,034,471</u>	<u>14,485,917</u>
Payables	19	2,020,726	1,205,524
Accrued expenses		49,792	40,270
Re-insurance and insurance companies' accounts payable	20	2,855,514	2,078,065
End-of-services indemnity provision	21	13,008	11,025
Provision for income tax	14/A	-	26,788
Deferred tax liabilities	14/C	267,451	150,337
Other liabilities	22	257,392	330,948
TOTAL LIABILITIES		<u>19,498,354</u>	<u>18,328,874</u>
<u>SHAREHOLDERS' EQUITY</u>			
Authorized and paid-up capital	23	8,000,000	8,000,000
Statutory reserve	24	1,246,512	1,214,815
Voluntary reserve	24	174,717	174,717
Investments valuation reserve - net after tax	25	(236,544)	(113,848)
Retained earnings	26	925,129	1,249,575
Total Shareholders' Equity		<u>10,109,814</u>	<u>10,525,259</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>29,608,168</u>	<u>28,854,133</u>

Chairman of the Board of Directors

General Manager

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

ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF INCOME

		For the Year Ended December 31,	
	Note	2018 JD	2017 JD
<u>Revenue:</u>			
Gross written premiums		23,070,306	21,303,538
<u>Less: Re-insurers' share</u>		8,336,635	7,620,074
Net Written Premiums		14,733,671	13,683,464
Net change in unearned premiums reserve		(263,436)	(757,652)
Net change in mathematical reserve		118,520	(66,853)
Net Revenue Premiums Earned		14,588,755	12,858,959
Commissions' revenue		999,902	868,045
Insurance policies and issuance fees		973,790	925,078
Interest income	28	509,044	416,988
Net gain from financial assets and investments	29	104,797	176,875
Other revenue	30	252,577	275,696
Total Revenue		17,428,865	15,521,641
<u>Claims, Losses and Expenses</u>			
Paid claims		19,954,011	15,910,283
<u>Add: Policy maturity and settlement</u>		118,862	94,273
<u>Less: Recoveries</u>		2,318,366	1,904,986
Re-insurers' share		4,722,027	3,985,251
Net paid claims		13,032,480	10,114,319
Net change in claims reserve		(998,614)	297,484
Allocated employees' expenses	31	1,320,073	1,223,252
Allocated general and administrative expenses	32	527,999	494,586
Excess of loss premiums		195,135	200,258
Policies acquisition cost		2,060,912	1,792,253
Other expenses related to underwriting		322,952	199,569
Net Claims Costs		16,460,937	14,321,721
Unallocated employees' expenses	31	330,018	305,813
Depreciation and amortization	15,16	144,425	143,345
Unallocated general and administrative expenses	32	132,000	147,780
Expected credit losses - net	3	44,511	47,827
Total Expenses		650,954	644,765
Income for the Year before Tax		316,974	555,155
Income tax (expense)	14/B	(12,075)	(104,291)
Income for the Year		304,899	450,864
Earnings per Share for the Year	33	0.038	0.056

Chairman of the Board of Directors

General Manager

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended	
	December 31,	
	2018	2017
	JD	JD
Income for the year	304,899	450,864
Other Comprehensive Income Items:		
Items not subsequently transferable to statement of income		
Net change in investments valuation reserve	(122,696)	(83,121)
Total Comprehensive Income for the Year	182,203	367,743

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ARABIA INSURANCE COMPANY – JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-up Capital	Statutory Reserve	Voluntary Reserve	Investment Valuation Reserve	Retained Earnings		Total
					Realized	Unrealized	
	JD	JD	JD	JD	JD	JD	JD
For the Year Ended December 31, 2018							
Balance - beginning of the year (as disclosed previously)	8,000,000	1,214,815	174,717	(113,848)	550,766	698,809	10,525,259
Impact of implementation of IFRS (9) - net (Note 3)	-	-	-	-	(277,648)	-	(277,648)
Adjusted Balance as of January 1, 2018	8,000,000	1,214,815	174,717	(113,848)	273,118	698,809	10,247,611
Profit For the year	-	-	-	-	304,899	-	304,899
Changes in the Investment Valuation Reserve	-	-	-	(122,696)	-	-	(122,696)
Total Comprehensive Income for the Year	-	-	-	(122,696)	304,899	-	182,203
Transferred To Statutory Reserve	-	31,697	-	-	(31,697)	-	-
Distributed dividends *	-	-	-	-	(320,000)	-	(320,000)
Transferred during the year	-	-	-	-	(184,257)	184,257	-
Balance - End of the Year	8,000,000	1,246,512	174,717	(236,544)	42,063	883,066	10,109,814
For the Year Ended December 31, 2017							
Balance - beginning of the year	8,000,000	1,159,299	174,717	(30,727)	796,153	658,074	10,757,516
Profit for the year	-	-	-	-	450,864	-	450,864
Change in investment valuation reserve	-	-	-	(83,121)	-	-	(83,121)
Total Comprehensive Income for the Year	-	-	-	(83,121)	450,864	-	367,743
Transferred to statutory reserve	-	55,516	-	-	(55,516)	-	-
Distributed dividends *	-	-	-	-	(600,000)	-	(600,000)
Transferred during the year	-	-	-	-	(40,735)	40,735	-
Balance - End of the Year	8,000,000	1,214,815	174,717	(113,848)	550,766	698,809	10,525,259

- Retained earnings includes JD 154,770 as of December 31, 2018, representing the cumulative change in fair value transferred to retained earnings as a result of applying IFRS 9 and net loss in change of fair value for assets at fair value through statement of Income amounted to JD 55,618, Prohibited of disposal according to the Jordan Securities Commission instructions as of December 31, 2018.

- Retained earnings includes JD 783,913 as of December 31, 2018, restricted against deferred tax assets (JD 544,038 as of December 31, 2017).

- The use of this amount is prohibited (JD 236,544) as of December 31, 2018 which represents the negative investments valuation reserve balance is restricted according to the Jordan Securities Commission instructions (JD 113,848 As of December 31, 2017)

* The General Assembly decided to approve the distribution of JD 320.00 as cash dividends to shareholders in its ordinary meeting held on 23 April 2018, equivalent to 4% of the authorized capital paid for 2017 (600,000 For The Previous Year)

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31,	
		2018	2017
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the year before tax		316,974	555,155
Adjustments:			
Depreciation and amortization	15,16	144,425	143,345
Losses from sale of property and equipment		1,669	-
Investment property depreciation	29,8	53,280	53,280
End-of-service provision	21	1,983	52,348
Provision of expected credit loss - net	3	44,511	47,827
Loss on valuation of financial assets at fair value through income statement	29	55,618	36,042
Net change in unearned premiums reserve		263,436	757,652
Net change in claims reserve		(998,614)	297,484
Net change in mathematical reserve		(118,520)	66,853
Cash Flows (used in) from Operating Activities before Changes in Assets and Liabilities		(235,238)	2,009,986
(Increase) decrease in Current Assets:			
Financial assets at fair value through income statement		52,000	(186,650)
Checks under collection		193,835	316,165
Receivables - net		(713,926)	(655,309)
Insurance and re-insurance companies' accounts receivable		(475,031)	(964,270)
Other assets		(52,351)	(67,083)
Increase (decrease) in Current Liabilities:			
Payables		815,202	175,310
Accrued expenses		9,522	(7,372)
Insurance and re-insurance companies' accounts payable		777,449	(434,248)
Other liabilities		(73,556)	8,214
Net Cash Flows from Operating Activities before Tax and End-of-Service Indemnity Paid		297,906	194,743
Income tax paid	14	(67,039)	(117,105)
End-of-Service indemnity paid	21	-	(75,372)
Net Cash Flows from Operating Activities		230,867	2,266
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposits at banks (maturing after three months)		667,148	359,536
Financial assets at amortized cost-net		71,264	(658,121)
Life insurance policyholders' loans		1,637	(3,929)
(Purchase of) property and equipment	15	(9,367)	(22,593)
Proceeds from sale of property and equipment		1,200	-
(Additions) to intangible assets	16	(47,998)	(96,790)
Net Cash Flows from (used in) Investment Activities		683,884	(421,897)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends		(320,000)	(580,223)
Net Cash Flows (used in) Financing Activities		(320,000)	(580,223)
Net Increase (Decrease) in Cash and Cash Equivalents		594,751	(999,854)
Cash and cash equivalents - beginning of the year		6,101,449	7,101,303
Cash and Cash Equivalents - End of the Year	34	6,696,200	6,101,449
Non Monetary Transaction:			
Operating Transaction :			
Paid of accounts receivable through cheques under collection		2,079,825	-

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

STATEMENT OF UNDERWRITING REVENUE FOR GENERAL INSURANCE ACTIVITIES

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

ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF COMPENSATIONS COST FOR GENERAL INSURANCE ACTIVITIES

	Motor		Marine and Transportation		Fire and Other Damages to Properties		Others		Credit		Medical		Total	
	For the Year Ended		For the Year Ended		For the Year Ended		For the Year Ended		For the Year Ended		For the Year Ended		For the Year Ended	
	December 31,		December 31,		December 31,		December 31,		December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Paid Claims	12,956,346	10,756,417	63,989	46,032	1,318,244	127,710	84,573	67,666	277,585	607,450	4,173,066	2,823,395	18,873,803	14,428,670
Less: Recoveries	2,150,600	1,592,716	1,216	48	2,085	19,998	4,427	6,841	36,957	110,389	123,081	174,994	2,318,366	1,904,986
Local re-insurers' share	291,379	367,902	704	103	446,276	45,559	920	11,663	-	-	-	-	739,279	425,227
Foreign re-insurers' share	-	-	48,190	36,706	781,315	58,932	63,696	42,878	228,596	472,208	2,110,443	1,851,452	3,232,240	2,462,176
Net Paid Claims	10,514,367	8,795,799	13,879	9,175	88,568	3,221	15,530	6,284	12,032	24,853	1,939,542	796,949	12,583,918	9,636,281
Add: Claims Reserve - End of the Year														
Reported	4,993,488	6,122,836	238,515	63,351	2,657,257	2,670,787	1,974,595	3,890,345	511,928	298,698	453,284	451,257	10,829,067	13,497,274
Not reported	1,054,000	950,000	5,000	10,000	5,000	10,000	8,000	10,000	-	-	95,807	51,279	1,167,807	1,031,279
Less: Re-insurers' share - end of the year	270,064	467,426	189,679	49,516	2,538,223	2,574,154	1,784,118	3,667,576	486,331	283,763	83,486	219,895	5,351,901	7,262,330
Recoveries of claims	999,123	597,446	-	-	-	-	-	-	29,533	28,958	-	-	1,028,656	626,404
Net Claims Reserve - End of the Year	4,778,301	6,007,964	53,836	23,835	124,034	106,633	198,477	232,769	(3,936)	(14,023)	465,605	282,641	5,616,317	6,639,819
Reported	3,724,301	5,057,964	48,836	13,835	119,034	96,633	190,477	222,769	(3,936)	(14,023)	369,798	231,362	4,448,510	5,608,540
Not reported	1,054,000	950,000	5,000	10,000	5,000	10,000	8,000	10,000	-	-	95,807	51,279	1,167,807	1,031,279
Less: Claims Reserve - Beginning of the Year:														
Reported	6,122,836	6,031,600	63,351	62,048	2,670,787	1,637,389	3,890,345	817,057	298,698	109,100	451,257	278,230	13,497,274	8,935,424
Not reported	950,000	923,000	10,000	10,000	10,000	10,000	10,000	10,000	-	-	51,279	52,465	1,031,279	1,005,465
Less: Re-insurers' share - beginning of the year	467,426	535,781	49,516	46,895	2,574,154	1,595,544	3,667,576	650,422	283,763	103,645	219,895	185,526	7,262,330	3,117,813
Recoveries of claims	597,446	498,282	-	-	-	-	-	-	28,958	7,500	-	-	626,404	505,782
Net Claims Reserve - Beginning of the Year	6,007,964	5,920,537	23,835	25,153	106,633	51,845	232,769	176,635	(14,023)	(2,045)	282,641	145,169	6,639,819	6,317,294
Net Paid Claims Cost	9,284,704	8,893,226	43,880	7,857	105,969	58,009	(18,762)	62,418	22,119	12,875	2,122,506	934,421	11,560,416	9,958,806

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

ASABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING PROFIT FOR GENERAL INSURANCE ACTIVITIES

	Motor	Marine and Transportation			Fire and Damages to Properties			Others			Credit			Medical			Total		
		For the Year Ended			For the Year Ended			For the Year Ended			For the Year Ended			For the Year Ended			For the Year Ended		
		December 31,			December 31,			December 31,			December 31,			December 31,			December 31,		
		2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Net earned revenue from the underwritten premiums		11,234,577	10,540,855	89,149	99,224	147,187	143,013	109,556	97,400	11,540	10,947	2,337,852	1,464,218	13,929,861	12,355,657				
(Less): Net paid claims cost		9,284,704	8,883,226	43,880	7,857	105,969	58,009	(18,762)	82,418	22,119	12,875	2,127,506	934,471	11,560,416	9,958,806				
		1,949,873	1,657,629	45,269	91,367	41,218	85,004	128,318	34,982	(10,579)	(1,928)	215,346	529,797	2,369,445	2,396,851				
Add: Received commissions		24,866	8,739	240,940	229,022	424,974	360,683	116,135	92,155	46,020	42,705	139,494	124,607	992,429	857,911				
Insurance policies and issuance fees		650,196	629,142	47,747	46,337	81,444	85,822	33,209	21,303	7,371	6,930	138,466	120,110	958,433	909,644				
Other revenue		-	-	77,422	57,603	8,779	48,970	6,992	9,875	-	-	166,053	159,277	254,246	275,675				
Total Revenues		675,062	637,881	361,109	332,962	515,197	495,475	156,336	123,283	53,391	49,635	444,013	403,994	2,205,108	2,043,230				
Less: Paid commissions		1,079,560	903,677	187,647	190,003	182,112	168,745	72,141	48,557	18,050	17,260	464,343	418,493	2,003,853	1,746,735				
Excess of loss premiums		118,597	122,414	15,662	9,940	60,876	67,904	-	-	-	-	-	-	195,135	200,258				
Employees and administrative expenses related to underwriting accounts		1,013,213	940,763	58,260	54,891	181,810	167,263	56,297	43,303	19,395	17,940	351,484	302,690	1,680,459	1,526,850				
Other expenses		251,568	161,147	5,368	3,786	16,847	7,145	6,937	2,370	1,622	1,705	26,651	20,238	308,993	195,891				
Total Expenses		2,462,938	2,128,001	266,937	258,670	441,645	411,057	135,375	94,230	39,067	36,405	842,478	741,471	4,188,440	3,660,724				
Net Written Profit (Loss)		161,987	167,509	139,441	165,709	114,770	169,422	149,279	64,035	3,745	11,307	(183,119)	197,370	386,113	770,347				

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING REVENUE FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2018	2017
	JD	JD
Written Premiums:		
Direct premium	1,045,735	1,185,430
Re-insurers' inward premium	<u>1,046,655</u>	<u>1,099,996</u>
Gross Written Premiums	2,092,390	2,285,426
<u>Less:</u> Local re-insurers' share	791,335	870,486
<u>Less:</u> Foreign re-insurers' share	<u>760,681</u>	<u>844,785</u>
Net Written Premiums	<u>540,374</u>	<u>570,155</u>
<u>Add:</u> Mathematical reserve - beginning of the year	811,750	642,438
<u>Less:</u> Re-insurers' share - beginning of the year	<u>176,014</u>	<u>73,555</u>
Net Mathematical Reserve - Beginning of the Year	<u>635,736</u>	<u>568,883</u>
<u>Add:</u> Mathematical reserve - end of the Year	676,117	811,750
<u>Less:</u> Re-insurers' share	<u>158,901</u>	<u>176,014</u>
Net Mathematical Reserve - End of the Year	<u>517,216</u>	<u>635,736</u>
Net Earned Revenue from Written Premiums	<u>658,894</u>	<u>503,302</u>

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF PAID CLAIMS COST FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2018	2017
	JD	JD
Paid claims	1,080,208	1,481,613
Policy maturity and settlement	118,862	94,273
<u>Less: Foreign re-insurers' share</u>	<u>750,508</u>	<u>1,097,848</u>
Net Paid Claims	<u>448,562</u>	<u>478,038</u>
<u>Add: Reported claims reserve - End of the year</u>	<u>697,291</u>	<u>384,548</u>
Unreported claims reserve - End of the year	-	-
<u>Less: Re-insurers' share</u>	<u>515,554</u>	<u>227,699</u>
Net Claims Reserve - End of the Year	<u>181,737</u>	<u>156,849</u>
Reported	181,737	156,849
Not reported	-	-
<u>Add: Reported claims reserve - Beginning of the year</u>	<u>384,548</u>	<u>718,730</u>
Unreported claims reserve - Beginning of the year	-	-
<u>Less: Re-insurers' share</u>	<u>227,699</u>	<u>536,840</u>
Net Claims Reserve - Beginning of the Year	<u>156,849</u>	<u>181,890</u>
Net Claims Cost	<u>473,450</u>	<u>452,997</u>

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ARABIA INSURANCE COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF UNDERWRITING PROFIT FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2018	2017
	JD	JD
Net earned revenue from written premiums	658,894	503,302
<u>Less:</u> Net Claims Cost	<u>473,450</u>	<u>452,997</u>
	<u>185,444</u>	<u>50,305</u>
 <u>Add:</u> Received commissions	 7,473	 10,134
Insurance policies issuance fees	15,357	15,434
Interest income and investment income attributable to the written premiums	<u>68,021</u>	<u>55,751</u>
Total Revenue	<u>90,851</u>	<u>81,319</u>
 <u>Less:</u> Paid claims	 57,059	 45,518
Administrative expenses related to underwriting accounts	167,613	190,988
Other Expenses	<u>13,959</u>	<u>3,678</u>
Total Expenses	<u>238,631</u>	<u>240,184</u>
Net Underwriting Profit (Losses)	<u>37,664</u>	<u>(108,560)</u>

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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF FINANCIAL POSITION FOR LIFE INSURANCE ACTIVITIES

<u>ASSETS</u>	December 31,	
	2018	2017
	JD	JD
Deposits at banks	1,028,266	1,000,000
Financial assets at fair value through statement of income	89,303	92,925
Financial assets at fair value through other comprehensive income	100,454	123,401
Life insurance policyholders' loans	19,971	21,608
Total Investments	<u>1,237,994</u>	<u>1,237,934</u>
Receivable - net	598,227	241,403
Re-insurance companies' accounts - receivable	<u>209,608</u>	<u>594,989</u>
TOTAL ASSETS	<u>2,045,829</u>	<u>2,074,326</u>
<u>LIABILITIES AND HEAD OFFICE'S EQUITY</u>		
<u>LIABILITIES</u>		
Payables	304,657	157,712
Re-insurance companies' accounts - payable	<u>349,641</u>	<u>97,024</u>
<u>TECHNICAL RESERVES</u>		
Claims reserve - net	181,737	156,848
Mathematical reserve - net	<u>517,216</u>	<u>635,736</u>
TOTAL LIABILITIES	<u>1,353,251</u>	<u>1,047,320</u>
<u>HEAD OFFICE'S EQUITY</u>		
Head Office's current account	654,914	1,135,566
Income (losses) for the year	<u>37,664</u>	<u>(108,560)</u>
Total Head Office's Equity	<u>692,578</u>	<u>1,027,006</u>
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY	<u>2,045,829</u>	<u>2,074,326</u>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL
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ARABIA INSURANCE COMPANY - JORDAN
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE FINANCIAL STATEMENTS

1. General

- a. Arabia Insurance Company was established in 1975 and registered as a Jordanian public shareholding limited company under Number (90) with headquarters in Amman-Jordan and an authorized capital of JD 2 million, divided over 2 million shares at a par value of JD 1 each. Moreover, the Company's capital was increased in several stages, the last of which was on February, 2008, so that it became JD 8 million, divided over 8 million shares. The Company's address is P.O. Box 20031 – 11118 Amman, Jordan, Abdel Hameed Sharaf Street, AlShmaisani.

The Company conducts all types of insurance and reinsurance which includes fire, accidents, marine and transportation, land, credit, motor, medical, and life insurance.

- b. The Company is 51% owned by a holding Company in Lebanon.
- c. The accompanying financial statements were approved by the Board of Directors in its meeting held on March 28, 2019, 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, applicable local laws, as well as the forms prescribed by the Jordan Insurance Commission.
- The financial statements have been prepared according to the historical cost convention, except for financial assets and liabilities, which are stated at fair value as of the date of 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, 2017, except for what is mentioned in Note (3.a) and (3.b) to the financial statements.

The following are the significant accounting policies:

Sector Information

- The business sector represents a set of assets and operations that jointly provide products and services subject to risks and returns different from those of other business sectors.
- 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.

Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions.

Financial assets and financial liabilities are initially measured at fair value. Moreover, transaction costs directly attributable to the acquisition or issue of financial assets and liabilities are added to the fair value of the financial assets or financial liabilities, or deducted from them, where necessary, at initial recognition. The transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized directly in the statement of income.

If the transaction price is different from the fair value at initial recognition, the Company treats this difference as follows:

- If fair value is determined at an active market price for identical assets or liabilities or based on a valuation method that uses only observable inputs in the market, the difference in profit or loss is recognized on initial recognition (i.e., gain or loss on the first day).
- In all other cases, fair value is adjusted to the transaction price (that is, the first day gain or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be taken to the statement of income on a rational basis, only to the extent that a change in factor (including time) is taken into account by the market participants when pricing the asset or liability or when this instrument is derecognized.

Financial Assets

Initial recognition

All financial assets are recognized on the trade date when the purchase or sale of a financial asset under a contract requires the terms of delivery of the financial asset within a time frame determined by the relevant market. Moreover, the financial asset is initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through the statement of income. Transaction costs directly attributable to the acquisition of financial assets designated at fair value through profit or loss are recognized in the statement of income.

Subsequent measurement

Measurement of all recognized financial assets within the scope of IFRS 9 requires subsequent measurement at amortized cost or fair value based on the entity's business model for managing financial assets and their contractual cash flow characteristics.

Specifically:

- Financial instruments held in the business model for collecting contractual cash flows with contractual cash flows that are only principal and interest payments on the principal outstanding, and are subsequently measured at amortized cost; and
- Financial instruments held in the business model for both collecting contractual cash flows and selling debt instruments with contractual cash flows that are only principal and interest payments on the principal outstanding and are subsequently measured at fair value through other comprehensive income;

- All other financing instruments (such as debt instruments managed at fair value or held for sale) and equity investments are subsequently measured at fair value through the statement of income.

However, the Company may, after initial recognition of the financial asset, may make an irrevocable choice/designation concerning the financial asset on an individual basis, as follows:

- The Company may make an irrevocable choice to include in other comprehensive income the subsequent changes in the fair value of the equity investment not held for trading or potential replacement recognized by the acquirer within the business combinations to which IFRS 3 applies; and

The Company may irrevocably determine the financial instruments that fulfill the standards of amortized cost or fair value through other comprehensive income and are measured at fair value through the statement of income if it significantly eliminates or reduces the accounting mismatch (referred to as the fair value option).

Debt Instruments at Amortized Cost or at Fair Value through Comprehensive Income

The Company evaluates the classification and measurement of the financial asset based on the contractual cash flow characteristics and the Company's business model for asset management.

For an asset classified at amortized cost or at fair value through comprehensive income, its contractual terms should result in cash flows that are only principal and interest payments on the principal outstanding.

For the purpose of testing the principal and interest payments on the principal outstanding, the asset is the fair value of the financial asset at initial recognition. This principal amount may change over the life of the financial asset (for example, if there is a principal repayment). Interest consists of the allowance for the time value of money, the credit risk associated with the original amount outstanding over a given period of time, and other basic lending options and risks, as well as the profit margin. An assessment of the principal and interest payments is made for the principal amount outstanding in the currency in which the financial asset is evaluated.

Contractual cash flows represent the principal and interest payments on the principal outstanding and are consistent with the underlying funding arrangement. Contractual terms involving exposure to risks or fluctuations in contractual cash flows unrelated to the underlying financing arrangement, such as exposure to changes in equity prices or commodity prices, do not result in contractual cash flows that are only from principal and interest payments. A financial asset granted or acquired may also be the primary financing arrangement regardless of whether it is a loan in its legal form.

Evaluating the Business Model

Evaluation of business models for the management of financial assets is essential for the classification of financial assets. Moreover, the Company defines business models at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. In this regard, the Company's business model does not depend on the management's intentions concerning an individual instrument, and therefore, the business model is evaluated at a group level and not on an instrument-by-instrument basis.

The Company adopts more than one business model to manage its financial instruments that reflect how the Company manages its financial assets to generate cash flows. In addition, the Company's business models determine whether cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

The Company takes into account all relevant information available when conducting an evaluation of the business model. However, this assessment is not done on the basis of scenarios that the Company does not expect to occur reasonably, such as the so-called "worst case" or "stress state" scenarios. The Company also takes into account all available relevant evidence such as:

- The portfolio stated policies and objectives and the application of those policies whether the management strategy focuses on obtaining contractual revenues, maintaining a specific profit rate, matching the period of financial assets with the period of financial liabilities that finance those assets, or achieving cash flows through the sale of assets;
- How to evaluate the performance of the business model and financial assets held in this business model and to report to key management personnel;
- Risks affecting the performance of the business model (and the financial assets of that model), in particular the manner in which such risks are managed; and
- How to compensate business managers (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows received).

Upon initial recognition of the financial asset, the Company determines whether the newly recognized financial assets are part of an existing business model or whether they reflect the beginning of a new business model. The Company evaluates its business models in each reporting period to determine whether business models have changed since the prior period.

When a debt instrument measured at fair value through comprehensive income is derecognized, the cumulative gain / loss previously recognized in comprehensive income is reclassified as equity to the statement of income. On the other hand, for equity investments measured at fair value through comprehensive income, the cumulative gain / loss previously recognized in comprehensive income is not subsequently reclassified to the statement of income but transferred directly to equity.

Debt instruments that are subsequently measured are carried at amortized cost or at fair value through comprehensive income for impairment testing.

Reclassification

If the business model in which the Company retains financial assets changes, the financial assets that have been affected are reclassified. The classification and measurement requirements relating to the new class are effective from the first day of the first reporting period after the change in the business model resulting in the reclassification of the Company's financial assets. Changes in contractual cash flows are considered in the accounting policy for the adjustment and disposal of the financial assets described below.

Impairment

The Company recognizes the expected credit loss provisions on the following financial instruments that are not measured at fair value through the income statement:

- Balances and deposits with banks and financial institutions.
- Receivables and receivables from reinsurers.
- Financial assets at amortized cost (debt instruments).
- Checks under collection

No impairment loss is recognized in equity instruments.

The Company calculates the impairment of financial statements using the simplified method.

Defining Default

The definition of default is very important in determining the expected credit loss. It is used to measure the value of credit loss, because default is a component of the probability of default that affects the measurement of credit losses.

Impairment of Financial Assets

The Company takes a provision for the expected credit losses on receivables, checks under collection, and reinsurers' receivable. The expected credit losses are updated on each reporting date to reflect changes in creditworthiness since the initial recognition of the relevant financial instrument.

The Company continuously records the expected credit losses over their lives as regards receivables, checks under collection, and reinsurers' receivable. Moreover, the expected credit losses are estimated using a provision matrix based on the Group's previous credit loss experience and adjusted to the factors relating to debtors, general economic conditions, and assessment of the current and future conditions at the reporting date, including the time value of cash, as appropriate.

For all other financial assets, the Company recognizes the expected credit losses over their lifetime if there has been a significant increase in credit risk since initial recognition. The expected credit loss over its life span represents the expected credit losses that will arise from all probable defaults over the course of the expected lifetime of the financial instrument.

Provision for the Expected Credit Losses

The Company has adopted the simplified method to recognize the expected credit losses over their lifetime concerning receivables, checks under collection, and reinsurers' receivable as permitted by IFRS 9. Accordingly, non-impaired receivables, checks under collection, and reinsurers' receivable that do not contain a significant component of finance have been classified within the second stage with the recognition of expected credit losses over their lifetime.

A provision for the expected long-term credit loss of a financial instrument should be recognized if the credit risk on that financial instrument increases substantially since initial recognition, and the expected credit loss is a potential weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of several future economic scenarios, discounted at the effective interest rate of the asset.

The Company assesses whether there is an objective evidence of impairment on an individual basis for each asset with an individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.

Adjustment and Derecognition of Financial Assets

An adjustment is made to the financial asset when the contractual terms that govern the cash flows of a financial asset are renegotiated or otherwise modified between the initial recognition and maturity of the financial asset. The adjustment affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is adjusted, the Company assesses whether such an adjustment results in derecognition. According to the Company's policy, the adjustment leads to derecognition when it causes a significant difference in terms.

If a financial asset is derecognized, the provision for expected credit losses at the derecognition date is re-measured to determine the net carrying amount of the asset at that date. The difference between the adjusted carrying amount and the fair value of the new financial assets with the new terms will result in a gain or loss on derecognition.

When the contractual terms of a financial asset are modified, and the adjustment does not result in derecognition, the Company determines whether the credit risk of the financial asset has increased significantly since initial recognition by comparing

- the probability of non-payment for the remaining period estimated on the basis of data at initial recognition and original contractual terms; with
- The probability of non-payment for the remaining period at the reporting date based on the modified terms.

When the adjustment does not result in derecognition, the Company calculates the adjustment gain / loss to compare the total carrying amount before and after the adjustment (except for the expected credit loss provision). The Company then measures the expected credit loss of the adjusted asset, as the expected cash flows arising from the adjusted financial asset are included in the expected cash deficit from the original asset.

Derecognition of Financial Assets

The Company derecognises a financial asset upon expiry of the contractual rights relating to the receipt of the cash flows from the asset, or when the entity has transferred the financial asset, together with all significant risks and rewards of ownership, to another entity. If the Company does not transfer or retain substantially the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its remaining interest in the transferred asset and the related liabilities that the Company may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the financial asset.

Upon derecognition of any financial asset measured at amortized cost, the difference between the carrying amount of the asset and the consideration received or receivable is recognized in the statement of income.

Write-off

The Company derecognises financial assets when there is information indicating that the debtor is experiencing financial difficulties, and there is no realistic probability of recovery, for example. Such derecognition also applies if the debtor is placed under liquidation, or he has filed for bankruptcy, or where trade receivables are past due for more than two years, whichever is earlier. The Company may continue to subject written-off financial assets to collection procedures, taking into account legal advice, where appropriate. Meanwhile, any recoveries are recognized in the statement of income

Financial Liabilities and Equity Instruments Issued by the Company

Classification as Debt or Equity Instruments

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance matter of the contractual arrangements, the definitions of financial liabilities, and the equity instrument.

Equity Instruments

An equity instrument is defined as a contract that evidences ownership of the remaining shares of an entity's assets after deducting all liabilities. The equity instruments issued are recorded with the proceeds received net of the direct issue cost.

Financial Liabilities

All financial liabilities are subsequently measured at amortized cost using the effective yield method or at fair value through profit or loss. Financial liabilities that are not (i) a potential consideration for the acquiree in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

Other accounts payable are initially classified as "financial liabilities" at fair value less transaction costs, whereas they are subsequently measured at amortized cost using the effective yield method. Interest expense is recognized on an effective yield basis except for short-term liabilities if the return recognition is insignificant.

The effective yield method is the method of calculating the amortized cost of a financial liability and allocating the expense over the period in question. The effective interest rate is the rate that exactly discounts the expected future cash payments within the expected life of the financial obligation or, where appropriate, a shorter period.

Derecognition of Financial Liabilities:

The Company derecognises financial liabilities when it is discharged from its obligations, or when such obligations are canceled or expired. The difference between the carrying amount of the derecognised financial liability and the consideration payable or payable is recognized in profit or loss.

Foreign Exchange Gains and Losses

The carrying amount of financial assets recorded in a foreign currency is determined and translated at the rate prevailing at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a specific hedging relationship, the currency exchange differences are recognized in the statement of income; and
- For debt instruments measured at fair value through comprehensive income that are not part of a specific hedging relationship, the exchange differences on the amortized cost of the debt instrument are recognized in the income statement. Other exchange differences in comprehensive income are recognized in the revaluation reserve; and
- if financial liabilities are part of a portfolio managed on a fair value basis, in accordance with a documented risk management or investment strategy; or
- If a derivative is included in the basic financial or non-financial contract, and the derivative is not closely related to the basic contract.

Fair Value

Closing market prices (acquiring assets / selling liabilities) in active markets at the date of the financial statements represent the fair value of traded financial derivatives. In case declared market prices do not exist, some financial derivatives are not actively trading, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparing it with the market value of another financial asset with similar terms and conditions.
- Analyzing future cash flows and discounting the expected cash flows based on a rate used for similar instruments.
- Adopting option pricing models.

The valuation methods aim at providing a fair value reflecting market expectations, and take into consideration market factors, risks, and future benefits when estimating the derivatives value. Moreover, financial assets, the fair value of which cannot be reliably measured, are stated at cost less any impairment.

Real Estate Investments

Real estate investments are stated at cost net of accumulated depreciation (excluding land). 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. Moreover, these investments (excluding land) are depreciated over their useful lives using the straight-line method at an annual rate of 2 %.

Real estate investments are evaluated according to the decisions issued by the Ministry of Industry and Trade and Insurance Management. Moreover, their fair value is disclosed in the financial statements.

Reinsurance and Reinsurers' Accounts

The Company carries out reinsurance operations with other insurance and reinsurance companies and is exposed in many areas to certain levels of risk. Reinsurance operations include the relative share, excess loss agreements, facultative reinsurance, and other forms of reinsurance that essentially cover all types of insurance. Reinsurance contracts do not exempt the Company from its obligations to policyholders. Failure of reinsurers to meet their obligations may result in losses to the Company, and therefore, provisions are taken for the uncollectible amounts. The recoverable amount of the reinsurer is estimated in a manner commensurate with the Company's commitment for each claim.

The balance of Reinsurers' accounts calculated from the settlement, insurance subscriptions, paid compensations, technical provision and all rights and obligations liable from reinsurance, based on the contracts between the Company and reinsurance due to the base of occurrence.

Reinsurers' Accounts

Reinsurers' shares of insurance premiums and contributions, paid claims, technical provisions, and all the rights and obligations resulting from reinsurance based on agreements between the Company and reinsurers are accounted for on the accrual basis.

Impairment in Reinsurance Assets

In case there is any indication as to the impairment of the reinsurance assets of the Company, which possesses the reinsured contracts, the Company reduces the present value of the contracts and records the impairment loss in the statement of income. The impairment is only recognized in the following two cases:

1. There is objective evidence resulting from an event that took place after recording the reinsurance assets confirming the Company's inability to recover all amounts according to the contracts terms.
2. The event has a reliably and clearly measurable effect on the amounts the Company will recover from reinsurers.

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 losses. Moreover, property and equipment (excluding land) are depreciated when they are ready for use based on the straight-line method over their estimated useful lives using the following annual depreciation rates. The depreciation expense is recorded in the statement of income:

	<u>%</u>
Buildings	2
Machinery, equipment, and furniture	10
Computer software	12
Vehicles	15
Furniture and office equipment	6
Conditions	10
Decors	15
Elevator	10
Security systems and general safely	12
Aramat	20
Generators	10

Depreciation is calculated for readily usable property and equipment when they are being used for their intended use.

Property and equipment are showed at cost after deducting any impairment losses.

When the recoverable values of property and equipment is less than their carrying amounts, assets are written down to their recoverable values, 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 differs from previous estimates, the change in estimate is recorded in the following years, being a change in estimates.

Gains or losses on disposal of property and equipment, representing the difference between their sale proceeds and their carrying value, are recorded in the statement of income.

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

Intangible Assets

- Intangible assets obtained through merger are stated at fair value on their acquisition date.
- Intangible assets obtained through other than merger are stated at cost.
- Intangibles assets are classified according to their estimated lives: definite or indefinite. Intangible assets with a definite useful life are amortized over their useful life, 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.

- Internally generated intangible assets are not capitalized by the Company but recorded in the income statement in the same year.
- Any indications to the impairment of these financial assets are reviewed as of the date of the financial statements. Moreover, the life estimate of those assets is reviewed, and any related adjustments are made in the subsequent years.

Computer Programs and Systems

Software and computer systems are stated at cost on acquisition and amortized at 20% per annum.

Provisions

Provisions are recognized when the Company has obligations on the date of the statement of financial position as a result of past events, it is probable to settle the obligation, and the amount of the obligation can be reliably estimated.

Amounts recognized as provisions represent the best estimate of the amounts required to settle the obligation as of the date of the financial statements, taking into consideration the risks and 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 current 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 values can be reliably measured.

Technical Reserves

Technical reserves are taken and maintained according to the regulations of the Insurance 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 after the financial statements date on the basis of a 365-day year except for marine and land transport insurance in which the provision for unearned premiums is calculated on the basis of underwritten premiums of the valid policies on the date of the financial statements according to the laws, regulations, and instructions issued for this purpose.
2. The provision for reported claims is computed by determining the maximum amount of the total expected costs for each claim on an individual basis.
3. The premiums deficiency reserve and provision for incurred but not reported (IBNR) 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, as well as on the actuary's recommendation.
5. The mathematical reserve for life insurance policies is calculated based on the actuarial equations which are reviewed periodically by an independent actuary, as well as according to the instructions of the Insurance Commission.

Provision for End- of-service Indemnity

The provision for employees' end- of-service indemnity is calculated in accordance with the Company's policy that complies with the Jordanian Labor Law.

The annual compensation paid to employees leaving the service is recognized in the provision for end-of-service indemnity when paid, and a provision for the liabilities incurred by the Company concerning the employees' end- of- service indemnity is taken to the statement of income.

Liability Adequacy Test

All insurance claims are evaluated for sufficiency and suitability as of the statement of financial position date through calculating the present value of future cash flows for outstanding insurance contracts.

If the evaluation indicates that the present value of the insurance claims (varied and less convenient purchase expenditures and relevant intangible assets) is not enough compared to the expected future outflows, then the whole amount of deficit is taken to the statement of Income.

Income Tax

a. Accrued Taxes

Income tax expenses represent accrued taxes and deferred taxes. They are determined based on taxable income. Moreover, taxable income differs from income declared in the statement of income, as declared revenue includes non-taxable revenue, tax expenses not deductible in the current year but deductible in the subsequent years, or accumulated losses acceptable by the tax authorities, or allowable for tax deduction purposes.

Taxes are calculated according to 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 and 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.

The balances of deferred tax assets and liabilities are reviewed at the statement of financial position date and reduced in case they are (wholly or partially) not expected to be utilized, or the tax liability has been settled, or is no longer needed.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position when there are binding 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 statement of financial position 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

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 basis based on the maturities of the time periods, original 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.

Recognition of Expenses

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 Compensations

Insurance compensations represent paid claims for the period and the change in the claims reserve.

Insurance compensations include 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 statement of financial position 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 considered in the measurement of the insurance liability for claims.

General and Administrative and Employee Expenses

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

Staff Expenses

All employees' distributable expenses are charged to each insurance branch on the basis of the actual costs of each department. 80% of the non-distributable employees' expenses are distributed to the various insurance departments on the basis of the premiums earned for each department attributed to total premiums.

3. Application of New and Revised International Financial Reporting Standards

a. Amendments not having a material impact on the Company's financial statements:

The following new and revised IFRSs have been adopted and are effective for financial periods beginning on or after January 1, 2018 or thereafter in the preparation of the Company's financial statements that did not materially affect the amounts and disclosures in the financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

New and Revised Standards

Annual improvements to IFRSs issued between 2014 and 2016.

Amendments to the New and Revised International and Standards

Improvements include amendments to IFRS 1, *"Application of International Standards for the First Time"* and IAS 28 *"Investments in Associates and Joint Ventures (2011)"*.

The amendments clarify that the option of investment and other similar enterprises to measure investments in associates and joint ventures at fair value through the income statement is available separately for each associate or joint venture and that the selection should be made at initial recognition.

As for the option of an entity which is not an investment property, the fair value measurement applied by the associate and the joint venture that are an investment property shall be maintained when applying the equity method. The amendments provide a similar clarification that this option is available to each associate of an investment nature or a joint venture with an investment nature.

IFRIC 22: *"Foreign currency transactions and prepayments"*.

This interpretation deals with how to determine the "date of the transaction" for the purpose of determining the exchange rate to be used at the initial recognition of the asset, expense, or income when it is taken into account that this is paid or received in advance by a foreign operation that results in the recognition of non-monetary assets or non-monetary liabilities.

New and Revised Standards

Amendments to the New and Revised International and Standards

The interpretation determines that the transaction date is the date on which the non-monetary assets or non-monetary liabilities arising from the payment or receipt of payments are recognized in advance. If multiple payments or receipts are received in advance, the interpretation requires the Company to determine the transaction date for each payment or receipt of the cash consideration in advance.

This Interpretation relates to transactions made in foreign currency or parts of such transactions in the event that:

- A consideration in foreign currency or priced in foreign currency exists;
- An entity recognizes an asset that has been paid in advance or deferred income liabilities related to that consideration on a date prior to the recognition of the relevant assets, income, or expenses; and
- Prepaid assets or deferred income liabilities are not cash.

Amendments to IAS 40:
"Investment properties".

The amendments indicate that transfers to or from real estate investments require an assessment of whether the properties meet or no longer meet the definition of real estate investments and are backed up by observable evidence of a change in use. The amendments also indicate that the cases included in the standard are not comprehensive and that a change in use can be made with respect to the properties under construction (i.e. the change in use is not limited to completed properties).

Amendments to IFRS 2 *"Share-based payment"*.

These amendments relate to the classification and measurement of share-based payment transactions. These amendments clarify the following:

1. When estimating the fair value of a payment on the basis of shares paid in cash, accounting for the effects of the accrual and non-accrual provisions should be accounted for based on the same method used for share-based payments.
2. If the tax law/ laws require the Company to keep a certain number of equity instruments equal to the monetary value of the employee's tax liability to meet his tax obligations and then transfer it to the tax authority (usually cash), i.e. the share-based payment arrangement has a *"net settlement feature"*, this entire arrangement should be classified as a payment from equity, provided that the share-based payment may be classified as payment from equity even if the settlement feature was not included in the net.

New and Revised Standards

Amendments to the New and Revised International and Standards

3. The share-based payment adjustment should be accounted for to modify the transaction from a cash payment to a share-based payment as follows:
 - a. Abrogation of the original obligation;
 - b. Recognition of the share-based payment at the date of adjusting the fair value of the granted equity instrument to the extent that the services have been performed up to the date of the adjustment; and
 - c. Recognition of any difference between the present value of the liability at the date of the adjustment and the amount recognized in equity in the statement of income.

Amendments to IFRS 4:
"Insurance contracts".

These amendments relate to the difference between the effective date of IFRS 9 and the new standard for insurance contracts.

IFRS 15 *"Revenue from Contracts with Customers"*.

IFRS 15 was issued in May 2014, which established a comprehensive model for enterprises to be used in accounting for revenue generated from contracts with customers. This standard will replace the current income recognition guidance, including IAS 18 *"Revenue"*, IAS 11 *"Construction Contracts and related Interpretations"* that an entity should recognize revenue to indicate the transfer of goods or services to the customer in an amount that reflects the consideration that the entity expects to receive for such goods or services. In particular, the standard provides a five-step approach to revenue recognition:

Step 1: Determining the contract (s) signed with the client.

Step 2: Defining performance obligations in the contract.

Step 3: Determining the selling price.

Step 4: Assigning a sale price to the performance obligations in the contract.

Step 5: Recognizing revenue when the entity meets (or fulfills) an obligation to perform.

New and Revised Standards

Amendments to the New and Revised International and Standards

Under this Standard, an entity recognizes revenue when (or at the time) it fulfills its performance obligation, that is, when control over the goods or services underlying the performance obligation is transferred to the customer. More mandatory guidelines have been added to the Standard to deal with specific scenarios. In addition, the standard requires comprehensive disclosures.

Amendments to IFRS 15
*"Revenue from Contracts with
Customers"*.

These amendments relate to the clarification of three aspects of the standard (determination of performance obligations, client versus agent considerations, and licensing) and some transitional exemption for modified contracts and completed contracts.

b. Amendments to the Company's Financial Statements:

IFRS 9 "Financial Instruments"

IFRS 9 was issued in November 2009, and new requirements for the classification and measurement of financial assets were introduced. Subsequently, the Standard was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and the derecognition of financial liabilities. The Standard was amended in November 2013 to include new requirements for general hedge accounting. An amended version of the Standard was issued in July 2014 to include: (a) the requirements for impairment of financial assets; and (b) limited adjustments to the classification and measurement requirements by introducing the *"fair value through other comprehensive income" category of some simple debt instruments*.

IFRS 9 *"Financial Instruments"* issued by the International Accounting Standards Board (IASB) was adopted in July 2014. The initial date of implementation of this standard was December 1, 2018. The application of IFRS 9 led to changes in the accounting policies and amendments to the previously recognized amounts in the financial statements. Moreover, the Company has adopted IFRS 9 (first phase) of 2009 early, regarding the classification and measurement of financial assets since the beginning of 2010.

As required by the transitional provisions of IFRS 9, the Company has not restated the comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities have been recognized on the date of transition in the opening balances of retained earnings and non-controlling interests for the current period. The Company has also chosen to continue to apply the accounting requirements of IAS 39 *"Financial Instruments: Recognition and Measurement"*, concerning the application of IFRS 9.

IFRS 9 has resulted in changes in the accounting policies for the identification, classification, and measurement of financial assets and liabilities and the impairment in value of financial assets. IFRS 9 also modifies other standards that address financial instruments such as IFRS 7 *"Financial Instruments: Disclosures"*.

The final version of IFRS 9 includes the accounting requirements for financial instruments and supersedes IAS 39 *"Recognition and Measurement"*. The new version of the standard includes the following requirements:

Classification and Measurement:

Financial assets are classified based on the business model and contractual cash flow characteristics. The 2014 version provides a new classification of certain debt instruments that could be classified as "*financial assets at fair value through other comprehensive income*". The financial liabilities are classified similarly to IAS 39, but there are differences in the requirements applied to the measurement of credit risk relating to the entity.

Impairment:

The 2014 version provided the "*expected credit loss*" model to measure the impairment loss of financial assets, and therefore, it is not necessary to increase the credit risk before recognizing the credit loss.

Hedge accounting:

The 2014 version provided a new model for hedge accounting designed to be more appropriate with how an entity manages risk when exposed to financial and non-financial hedging risks.

Derecognition:

The requirements for derecognition of financial assets and financial liabilities have been followed in accordance with IAS 39.

- The details of the accounting policies adopted by the Company and the significant estimates used by the Company's management in accordance with IFRS 9 as set out and applied in the current period are stated in Notes (2) and (3). The disclosure regarding the impact of the adoption of the IFRS 9 on the Company is as follows:

January 1, 2018	Balance before Adjustment	Effect of Applying the Standard	Adjusted Balance
	JD	JD	JD
<u>Equity</u>	1,249,575	(277,648)	971,927
Retained earnings			
<u>Assets</u>			
Deposits at banks	8,101,822	(10,937)	8090,885
Cheques under collection	1,368,890	(13,689)	1,355,201
Receivables -Net	5,272,348	(294,466)	4,977.882
Companies and reinsurance receivables - Net	1,554,085	(28,731)	1,525,354
Assets and amortization cost	1,562,159	(17,502)	1,544,657
Deferred tax assets	544,038	87,677	631,715

- The expected credit loss for the financial year as of December 31, 2018 as follow:

	As of December 31, 2018
	JD
Deposits at banks -note(4)	(441)
Cheques under collection-Note(11)	18,860
Receivable-Net-Note(12)	-
Re-insurance and insurance companies' accounts receivable - Note (13)	-
Financial assets at amortization cost-Note(7)	26,092
	<u>44,511</u>

- c. New and revised International Financial Reporting Standards issued and not yet effective:

The Company has not adopted the following new and amended IFRSs issued but not yet effective as at the date of the financial statements, and their details as follows:

New and Revised Standards	Amendments to new and revised IFRSs	Effective for annual periods beginning on or after
Annual improvements to IFRSs issued between 2015 and 2017	Improvements include amendments to IFRS 3 " <i>Business Combinations</i> ", (11) " <i>Joint Arrangements</i> ", and IAS 12 " <i>Income Taxes</i> " and IAS 23 " <i>Borrowing Costs</i> ".	January 1, 2019
IFRIC 23 "Uncertainty on the Treatment of Income Tax"	<p>The interpretation clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax benefits and tax rates when there is uncertainty about the treatment of income tax under IAS 12 and specifically addresses:</p> <ul style="list-style-type: none"> • whether the tax treatment should be considered in aggregate; • assumptions regarding the procedures for the examination of tax authorities; • determination of the taxable profit (tax loss), tax bases, unused tax losses, unused tax breaks, and tax rates; and • The impact of changes in facts and circumstances. 	January 1, 2019
IFRS 16 " <i>Leases</i> "	IFRS 16 defines how the reporting entity can recognize, measure, present, and disclose lease contracts. The Standard also provides a separate accounting model for lessees that requires the lessee to recognize the assets and liabilities of all lease contracts unless the lease is 12 months or less or the asset is of low value. Lessors continue to classify leases as operating or financing leases. IAS 16's on lessor accounting has not changed significantly compared to IAS 17.	January 1, 2019
Amendments to IFRS 9 " <i>Financial Instruments</i> "	These amendments relate to the benefits of prepayment with negative compensation, where the current requirements of IFRS 9 regarding the end-of-service rights have been amended to allow for the measurement at amortized cost (or based on the business model at fair value through other comprehensive income) even in the negative compensation payments.	January 1, 2019

New and Revised Standards	Amendments to new and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 28 <i>"Investment in Associates and Joint Ventures"</i>	These amendments relate to long-term shares in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>"Financial Instruments"</i> to long-term interests in an associate or joint venture that forms part of the net investment in an associate or joint venture if the equity method has not been applied to it	January 1, 2019
Amendments to IAS 19 <i>"Employee Benefits"</i>	These relate to amendments to the plans, reductions, or settlements.	January 1, 2019
Amendments to IAS 1 <i>"Presentation of the Financial Statements"</i>	These amendments relate to the definition of materiality	January 1, 2020
Amendments to IFRS 3 <i>"Business Combinations"</i>	<p>These amendments clarify the definition of business, as the International Accounting Standards Board published the Revised Financial Reporting Framework. This includes the revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation, and disclosure.</p> <p>In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which include amendments to IFRS 2, 3, 6 and 14; IAS 1, 34, 37 and 38; IFRIC 12, 19, 20, and 22 ; and Interpretations of the Standing Committee for the Interpretation of Standards No. 32 in order to update those statements with regard to references and quotations from the framework or to refer to a different version of the conceptual framework.</p>	January 1, 2020
IFRS 17 <i>"Insurance Contracts"</i>	<p>This provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS 17 replaces IFRS 4 <i>"Insurance Contracts"</i>.</p> <p>IFRS 17 requires measurement of insurance liabilities at the present value of payment.</p>	January 1, 2022

New and Revised Standards	Amendments to new and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 "Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures (2011)"	These amendments relate to the treatment of the sale or contribution of the investor's assets in the associate or joint venture.	The date of entry into force has been postponed indefinitely, and the application is still permitted.

Management expects to apply these new standards, interpretations, and amendments to the Company's financial statements when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the Company's financial statements in the initial application period except for the effect of the adoption of IFRS 16, as shown below:

The effect of applying IFRS 16 "Leases"

The Standard provides a comprehensive model for determining and treating lease arrangements in the financial statements of both lessors and lessees. It will also replace IAS 17 "Leases" and related interpretations when it becomes effective for the financial periods beginning on or after January 1, 2019.

As permitted by the transitional provisions of IFRS 16, the Company will not restate the comparative figures. Any changes in the carrying amount of assets and liabilities at the date of transition are recognized in the opening balances of the related balances.

There is no material difference between the accounting treatment in the lessor's books between IFRS 16 and IAS 17.

The change in the definition of the lease relates mainly to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the use of a specific asset and the control is present if the customer has:

- The right to a substantial degree of all economic benefits arising from the use of specific assets; and
- The right to direct the use of this asset.

Effect on the Accounting Treatment in the Lessee's Records Operating Leases

Under IAS 16, the accounting treatment of leases previously classified as operating leases in accordance with IAS 17, which were classified as items outside the statement of financial position, has been changed.

In the initial application of IFRS 16 (except as referred to below), the Company will undertake the following for all leases:

- A. Recognition of "right to use" assets and lease commitments in the statement of financial position. These assets are initially measured on the basis of the present value of future cash flows paid.

- B. Recognition of the depreciation of "right to use" assets and interest on lease commitments in the statement of income.
- C. Separating the total amount of cash paid into a principal portion (shown under financing activities) and interest (presented under operating activities) in the statement of cash flows.

For short-term leases (12 months or less) and low-value asset leases (such as personal computers and office furniture), the Company will choose to recognize lease expenses on a straight-line basis as permitted by the IFRS 16. The Company's management believes that the impact of the adoption of IFRS 16 is immaterial and will not be reflected in the financial statements of the Company, as all leases are short term and are automatically renewed on an annual basis.

Recognition of lease obligation incentives previously recognized in respect of operating leases will be derecognised, and the amount will be calculated in the measurement of the leasehold assets and liabilities.

Under IAS 17, all lease payments relating to operating leases are recognized as part of the cash flows from operating activities. The effect of the changes under IFRS 16 will be to reduce cash generated from operating activities and increase the net cash used in financing activities with the same amount.

Finance Leases

The principal differences between IFRS 16 and IAS 17 in respect of previously existing advances under a finance lease are the measurement of residual value guarantees provided by the lessee to the lessor. IFRS 16 requires recognition as part of its lease obligation only the amount expected to be paid under the residual value guarantee, rather than the maximum secured amount as required by IAS 17. Upon initial request, the Company will state the equipment previously included in property, plant, and equipment under "right to use" assets and lease commitments, previously stated under borrowings, under a separate line item of the lease liabilities.

Based on the analysis of the Company's finance leases as at December 31, 2018 on the basis of the facts and circumstances prevailing at that date, this change was not considered to affect the amounts recognized in the Company's financial statements.

Effect on the Accounting Treatment in the Lessor's Records

Under IFRS 16, the lessor continues to classify leases as either financial leases or operating leases and account for these two types of leases differently. However, IFRS 16 has changed and expanded the scope of disclosures required, in particular on how the lessor manages the risks arising from its remaining share in the leased assets.

Under IAS 16, for the purposes of the intermediate lessor, the principal lease and sub-lease are considered as separate contracts.

The intermediate lessor should classify the sub-lease as operating or financial lease by reference to the original "right to use" arising from the principal lease (not by reference to the underlying asset as in the case of IAS 17).

Because of this change, the Company will classify some of its sub-lease agreements as financial leases. As required by IFRS 9, an allowance for credit losses recognized in the financial lease receivable will be recognized, and the leased assets and receivables from the finance lease will be derecognised. This change in accounting will result in a change in the timing of recognition of the related revenue.

Management expects to apply IFRS 16 in the financial statements of the Company for the period beginning January 1, 2019.

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 situations of those estimates in the future.

We believe that the estimates within the financial statements are reasonable. The details are as follows:

- Management periodically reevaluates 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.
- Calculation of the provision for expected credit losses: requires management to use significant judgments and estimates to estimate the amounts and timing of future cash flows and the risk of an increase in the credit risk of financial instruments after initial recognition and based on future measurement information for expected credit losses. The expected credit loss is measured as an expected credit loss provision over the life of the asset.

Determination of the number and relative weight of scenarios, the outlook for each type of product / market, and the determination of future information relevant to each scenario: When measuring the expected credit loss, the Company uses reasonable and supported future information based on the assumptions of future variables of different economic variables and how these variables affect each other.

Probability of Default: The probability of default is a key input in measuring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions, and expectations relating to future circumstances.

Loss Given Default: Loss Given Default (LGD) is an estimate of loss resulting from default. It is based on the difference between the contractual cash flows due and those that the financier expects to collect, taking into account the cash flows from the collateral (if any).

- Revenue Recognition: The Company's management uses significant estimates and assumptions to determine the amount and timing of the recognition of revenue under IFRS 15 "Revenue from Contracts with Customers".
- Provision for Income Tax: The financial year is charged with its share from income tax according to the prevailing laws and regulations and IFRS, and the necessary tax provision is calculated and recorded accordingly.
- Real estate investments are valued on the bases and assumptions that rely mainly on market conditions and prices. The average of three estimates by accredited real estate experts was adopted, the latest of which was at the end of 2017.
- Management estimates the amounts expected to be recovered from the insurance companies and the Jordan Insurance Association for automobile accidents based on studies prepared by the Company's management and according to the available information and documents.
- 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 categorized 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, which require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When evaluating the fair value of the financial assets and liabilities, the Company uses market information when these are available. In case Level 1 inputs are not available, the Company deals with independent and qualified parties to prepare evaluation studies. Furthermore, the suitable evaluation methods and inputs used in preparing the evaluation studies are reviewed by management.
- * The estimates used in preparing the financial statements for the year are parallel with the estimates used in preparing the financial statements for the year ended December 31, 2018, except using and applying estimates specialized for the International Financial Reporting Standard (9), and except the entry of recovering the expected outstanding claims by other insurance Company's, the Company in 2018 in accordance with the board of directors approval dated February 27, 2019, reevaluate the percentage of expected recoverable amount from other Insurance Company's by 80% to 100%, which is related to car accidents retrospectively to the financial statement for 2018, which the effect was at it's highest amounting JD 146,650 which was recorded and presented in the December 31, 2018 financial statement.

4. Deposits at Banks

This item consists of the following:

	December 31, 2018				December 31, 2017
	Deposits Maturing Within One Month to Three Months	Deposits Maturing after Three Months and up to One Year	Deposits Maturing after one Year and up to Five Years	Total	Total
	JD	JD	JD	JD	JD
Inside Jordan	5,735,625	2,039,086	-	7,774,711	8,101,822
Expected credit losses *	-	(10,496)	-	(10,496)	-
	5,735,625	2,028,590	-	7,764,215	8,101,822

- * The movement on expected credit losses is as follows:

	For year ended December 31,	
	2018	2017
	JD	JD
Balance at the beginning of the year	-	-
IFRS (9) implementation – Note (3)	10,937	-
	<u>10,937</u>	-
Add: Additions during the year	-	-
Less: (Recovery) during the year	(441)	-
Balance at the end of the year	<u>10,496</u>	-

- During the year 2018, interest rates on deposits in Jordanian Dinar ranged from 4.5% to 6% (3.3% to 5% during the year)
- Moreover, 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 December 31, 2018 and 2017 at Jordan Ahli Bank, and mature after three months.
- There are no restricted balances except for deposits mortgaged to the order of the Director General of the Insurance Commission.

5. Financial Assets at Fair Value through Statement of Income

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
<u>Inside Jordan:</u>		
Quoted shares at Amman Stock Market	1,069,767	1,177,385
	<u>1,069,767</u>	<u>1,177,385</u>
<u>Outside Jordan:</u>		
Jordan Government's debentures bond *	145,550	145,550
	<u>1,215,317</u>	<u>1,322,935</u>

- * This item represents Jordan Government's debentures bond, listed in London Stock Market and is due on November 10, 2047.

6. Financial Assets at Fair Value through Comprehensive Income

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
<u>Inside Jordan</u>		
Quoted shares	2,282,012	2,451,866
Unquoted shares	62,300	62,300
	<u>2,344,312</u>	<u>2,514,166</u>
<u>Outside Jordan</u>		
Quoted Investment Fund*	70,900	70,900
	<u>2,415,212</u>	<u>2,585,066</u>

- * This item represents investment in quoted investment fund with a variable interest and no maturity date, noticing that the capital is not granted.

7. Financial Assets at Amortized Cost

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
<u>Inside Jordan</u>		
Company's loan debentures and bonds	800,000	909,500
Expected credit losses*	(12,384)	(43,800)
	<u>787,616</u>	<u>865,700</u>
<u>Outside Jordan</u>		
Company's loan debentures and bonds	570,497	641,761
Foreign governmental loan debentures and bonds	71,699	71,699
Expected credit losses*	(70,111)	(17,001)
	<u>572,085</u>	<u>696,459</u>
	<u>1,359,701</u>	<u>1,562,159</u>

* Movement on provision for expected credit losses is as follows:

	For the year Ended December 31,	
	2018	2017
	JD	JD
Beginning balance	60,801	31,545
IFRS (9) implementation - Note(3)	17,502	-
	<u>78,303</u>	<u>31,545</u>
Additions during the year	47,992	29,256
(Transferred) during the year	(21,900)	-
(Recovery) from provision during the year*	(21,900)	-
Ending balance	<u>82,495</u>	<u>60,801</u>

* 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 financial assets at amortized cost before deducting the provision:

Bonds	Less than one year	more than one year	total	Maturity Date	Interest
	JD	JD	JD	JD	JD
Specialized Investment Compounds Company PLC *	-	71,699	71,699	Mar 9, 2020	6/375%
SBER Bank bonds	-	128,673	128,673	Oct 29, 2022	5/125%
TELEMAR bonds	-	67,398	67,398	Oct 23, 2020	5/500%
AL BARAKA TURK bonds	157,957	-	157,957	June 30, 2019	6/250%
BAHRAIN bonds	-	144,244	144,244	Jan 26, 2021	5/875%
PEMEX bonds	-	72,225	72,225	Feb 4, 2021	6/375%
Arab International Hotels Company	-	300,000	300,000	Jan 22, 2022	5/50%
Jordan Ahli Bank Company	-	500,000	500,000	Oct 12, 2023	6/75%
	<u>157,957</u>	<u>1,284,239</u>	<u>1,442,196</u>		

** Analysis of financial assets at amortized cost – net

	December 31,	
	2018	2017
	JD	JD
Fixed return	1,359,701	1,562,159
	<u>1,359,701</u>	<u>1,562,159</u>

- PETROBRAS bonds was settled on May 9, 2018

8. Investment Property

This item consists of the following:

	December 31	
	2018	2017
	JD	JD
Lands:		
Balance at the beginning of the year	316,146	316,146
Balance at the ending of the year	<u>316,146</u>	<u>316,146</u>
Buildings:		
Balance at the beginning of the year	1,913,829	1,967,109
Less: Depreciation for the year	(53,280)	(53,280)
Balance at Year - End	<u>1,860,549</u>	<u>1,913,829</u>
	<u>2,176,695</u>	<u>2,229,975</u>

- The details of investment property and information related to fair value as of December 31, 2018 are as follows:

	Level One	Level Two	Level Three	Fair Value as of December 31, 2018 *
	JD	JD	JD	JD
Investment Property	-	2,398,850	-	2,398,850

- There was no transfer between level one and level two during 2018.

* Fair value averaged JD 2,398,850 according to the latest evaluation of these investments on December 12 and 18, 2017 by three real estate appraisers.

9. Life Insurance Policyholders' Loans

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Life insurance policyholders' loans not exceeding the policy liquidation value	<u>19,971</u>	<u>21,608</u>

The maturity of the life insurance policyholders' loan is as follows:

	More than one year	Total
	JD	JD
Life insurance policyholders' loans	<u>19,971</u>	<u>19,971</u>

10. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Cash on hand	12,034	14,942
Current accounts at banks	948,541	690,920
	<u>960,575</u>	<u>705,862</u>

11. Cheques under Collection

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Cheques under collection*	3,254,880	1,368,890
Expected Credit losses **	(32,549)	-
	<u>3,222,331</u>	<u>1,368,890</u>

* The maturities of cheques under collection are up to 2,519,034 Dec 31, 2019 and JD 703,297 are up to June 6, 2020, and about 64% are provided by client.

** The movements on expected credit losses is as follow:

	For the year Ended December 31,	
	2018	2017
	JD	JD
Beginning balance	-	-
IFRS (9) implementation - Note(3)	13,689	-
	<u>13,689</u>	<u>-</u>
Additions during the year	18,860	-
Ending balance	<u>32,549</u>	<u>-</u>

12. Receivables - Net

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Policyholders receivable	4,433,120	4,422,282
Agents receivable **	85,278	1,487,126
Brokers receivable	33,735	2,444
Employees receivable	7,664	7,029
Other receivables	63,476	70,291
	<u>4,623,273</u>	<u>5,989,172</u>
<u>Less: Expected credit losses *</u>	<u>(1,011,290)</u>	<u>(716,824)</u>
Receivables – Net	<u>3,611,983</u>	<u>5,272,348</u>

- The aging of receivables is as follows:

	December 31,	
	2018	2017
	JD	JD
Less than 90 days	2,980,814	5,325,415
90 – 180 days	488,976	13,151
181 – 360 days	265,672	37,411
More than 361 days	887,811	613,195
	<u>4,623,273</u>	<u>5,989,172</u>

- * Movement on the provision for expected credit losses is as follows:

	For the year Ended December 31,	
	2018	2017
	JD	JD
Beginning balance	716,824	697,362
IFRS (9) implementation - Note(3)	294,466	-
	<u>1,011,290</u>	<u>697,362</u>
Add: Additions during the year	-	19,462
Ending Balance	<u>1,011,290</u>	<u>716,824</u>

13. Re-insurance and Insurance Companies' Accounts Receivable

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Local insurance companies	1,343,906	1,118,849
Foreign re-insurance companies	871,637	621,663
	<u>2,215,543</u>	<u>1,740,512</u>
Less: Expected credit losses *	(215,158)	(186,427)
Re-insurance Accounts – Net	<u>2,000,385</u>	<u>1,554,085</u>

The aging of re-insurance and insurance companies' accounts receivable is as follows:

	December 31,	
	2018	2017
	JD	JD
Less than 90 days	1,978,236	1,524,862
91 – 180 days	23,151	1,396
181 – 360 days	39,976	27,827
More than 361 days	174,180	186,427
	<u>2,215,543</u>	<u>1,740,512</u>

- * Movement on the expected credit losses is as follows:

	For the year Ended December 31,	
	2018	2017
	JD	JD
Beginning balance	186,427	187,318
IFRS (9) implementation - Note (3)	28,731	-
	215,158	187,318
Add: Additions during the year	-	-
Less: (Recovery) during the year	-	(891)
Ending Balance	215,158	186,427

14. Income Tax

a. Income Tax Provision

- Movement on the income tax provision was as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	(26,788)	(54,066)
Income tax paid on bank interest	17,019	16,734
Income tax paid for the year	50,020	100,371
Income tax (expense) for the year	-	(89,827)
Balance at the End of the Year - Debit note (17) / (credit)	40,251	(26,788)

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

	2018	2017
	JD	JD
Income tax expense for the year	-	(89,827)
Deferred tax assets-net	53,252	14,485
Deferred tax liabilities-net	(96,541)	(28,949)
New income tax rate implementation	31,214	-
(Expense) Income Tax	(12,075)	(104,291)

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

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Accounting profit	316,974	555,155
Non-taxable income	(2,379,660)	(1,915,814)
Non-deductible expenses	1,947,820	1,734,939
Taxable Profit	(144,866)	374,280
Income Tax Rate %	24%	24%

- The Company's income tax was settled until the end of 2015, and the Company's income tax return for 2016 and 2017 was submitted on time and it still not reviewed yet.
 - A provision for income tax for the year ended December 31, 2018 was calculated in accordance with the requirements of the Jordanian Income Tax Law. In the opinion of Company's management and its tax advisor, the Company will not have any liabilities greater than the provision taken at December 31, 2018.
- c. The movement on deferred tax assets and liabilities was as follows:

	For the year Ended December 31, 2018		For the year Ended December 31, 2017	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Beginning balance	544,038	150,337	503,304	121,388
IFRS (9) implementation – Note (3)	87,677	-	-	-
	631,715	150,337	503,304	121,388
Add	166,921	96,541	65,136	28,949
Excluded	(72,903)	-	(24,402)	-
New income tax rate implantation	58,180	20,573	-	-
Ending balance	<u>783,913</u>	<u>267,451</u>	<u>544,038</u>	<u>150,337</u>

Deferred tax assets / liabilities

The details of this item are as follows:

Accounts included	For the Year End December 31, 2018					December 31,	
	Beginning Balance	IFRS (9) Implementation	Released Amounts	Addition Amounts	Ending Balance	Deferred Tax 2018	Deferred Tax 2017
	JD	JD	JD	JD	JD	JD	JD
A-Deferred tax assets							
Expected credit losses	964,052	365,325	(44,241)	66,852	1,351,988	351,516	231,372
IBNR provision	1,031,279	-	-	136,528	1,167,807	303,630	247,507
End-of-service provision	11,025	-	-	1,983	13,008	3,382	20,557
Various provision	74,628	-	(73,682)	-	946	246	-
Evaluation on financial assets through other comprehensive income	149,800	-	(14,800)	319,654	319,654	83,110	35,952
Losses from evaluating financial assets through statement of income	36,042	-	(36,042)	55,618	55,618	14,461	8,650
Income tax losses for the year 2018	-	-	-	114,867	114,867	27,568	-
	<u>2,266,826</u>	<u>365,325</u>	<u>(303,765)</u>	<u>695,502</u>	<u>3,023,888</u>	<u>783,913</u>	<u>544,038</u>
B-Deferred tax liabilities *							
Claims recoveries	626,404	-	-	402,252	1,028,656	267,451	150,337
	<u>626,404</u>	<u>-</u>	<u>-</u>	<u>402,252</u>	<u>1,028,656</u>	<u>267,451</u>	<u>150,337</u>

* Deferred tax liabilities as of December 31, 2018 represent deferred taxes arising from claims expected to be recovered.

- Deferred taxes were calculated based on the effective tax rate of 26%, and management believes that the deferred tax assets will be utilized in the near future.

15 Property & Equipment- Net

This table consists of the following:

	Land		Buildings		Office Equipment		Computer		Motors		Furniture and Interior Fittings		Air Conditioners		Decoration		Signage		Elevators		Security Systems and Generators		Electrical Transformers and Generators		Totals	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:																										
Balance at the beginning of the year	316,146	2,011,828	77,289	212,407	61,194	173,078	85,395	317,207	12,587	45,000	38,090	10,613	3,360,834													
Additions	-	-	4,415	2,994	-	1,683	-	275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,367	
(Disposal)	-	-	-	-	-	-	-	-	(5,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,200)	
Balance at the End of the Year	316,146	2,011,828	81,704	215,401	55,994	174,761	85,395	317,482	12,587	45,000	38,090	10,613	3,365,001												3,360,834	
Accumulated Depreciation:																										
Balance at the beginning of the year	-	167,228	59,317	167,321	21,804	46,328	34,149	193,037	10,483	18,740	18,272	4,419	741,098													
Depreciation for the year	-	40,236	3,389	9,884	7,635	10,418	8,304	47,618	2,103	4,500	4,551	1,061	139,699													
(Disposal)	-	-	-	-	-	-	-	-	(2,331)	-	-	-	-	(2,331)												
Accumulated Depreciation at the End of the Year	-	207,464	62,706	177,205	27,108	56,746	42,453	240,655	12,586	23,240	22,823	5,480	878,466													
Net Carrying Value as of December 31, 2018	316,146	1,804,364	18,998	38,196	28,886	118,015	42,942	76,827	1	21,760	15,267	5,133	2,486,535													
Cost:																										
Balance at the beginning of the year	316,146	2,011,828	76,648	209,317	49,294	169,977	84,995	313,746	12,587	45,000	38,090	10,613	3,338,241													
Additions	-	-	641	3,090	11,900	3,101	400	3,461	-	-	-	-	22,593													
Balance at the End of the Year	316,146	2,011,828	77,289	212,407	61,194	173,078	85,395	317,207	12,587	45,000	38,090	10,613	3,360,834													
Accumulated Depreciation:																										
Balance at the beginning of the year	-	126,992	56,255	156,642	14,951	36,049	25,850	145,798	7,966	14,240	13,721	3,358	601,822													
Depreciation for the year	-	40,236	3,062	10,679	6,853	10,279	8,299	47,239	2,517	4,500	4,551	1,061	139,276													
Accumulated Depreciation at the End of the Year	-	167,228	59,317	167,321	21,804	46,328	34,149	193,037	10,483	18,740	18,272	4,419	741,098													
Net Carrying Value as of December 31, 2017	316,146	1,844,600	17,972	45,086	39,390	126,750	51,246	124,170	2,104	26,260	19,818	6,194	2,619,736													
Depreciation annual rate		2	10	12	15	6	10	15	20	10	12	10														

Fully depreciated property and equipment amounted to JD 178,383 as of December 31, 2018 (JD 170,076 as of December 31, 2017)

16. Intangible Assets - Net

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Computer Software Programs		
Balance at the beginning of the year	100,214	7,493
Additions	47,998	96,790
Amortization	(4,726)	(4,069)
Balance - End of Year	<u>143,486</u>	<u>100,214</u>
Annual Amortization	12%	12%

17. Other Assets

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Prepaid expenses	97,851	90,710
Refundable deposits	14,791	31,835
Stamp deposits	1,563	2,733
Accrued revenues	177,137	113,713
Recovered claims*	1,028,656	626,404
Lands owned against bonds-Net	87,600	-
Income tax deposit (Note 14/A)	40,251	-
	<u>1,447,849</u>	<u>865,395</u>

* This item represents expected claims that didn't exceed more than 3 years from claim date JD 729,803 for 1 year and JD 298,853 from one to three years.

18. Mathematical Reserve - Net

This item consist of the following:

	December 31,	
	2018	2017
	JD	JD
Balance at the beginning of the year	811,750	568,883
Additions	-	242,867
(Excluding)	(135,633)	-
	<u>676,117</u>	<u>811,750</u>
Less: Reinsurance share	(158,901)	(176,014)
Net Mathematical Reserve	<u>517,216</u>	<u>635,736</u>

19. Payables

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Agents payable	85,371	59,029
Employees payable	5,209	8,380
Brokers payable	526,177	453,392
Client payable	716,941	474,175
Medical payables	2,336	11,761
Others*	684,692	198,787
	<u>2,020,726</u>	<u>1,205,524</u>

- * This item includes approximately JD 273,014 as car repair shops and spare parts payables as of December 31, 2018 in addition, it includes JD 391,052 cheque in the possession of the Company was not delivered yet (approximately JD 186,000 as of December 31, 2017).

20. Re-insurance and Insurance Companies' Accounts Receivable

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Local insurance companies	437,485	457,405
Foreign re-insurance companies	1,331,574	757,761
Reinsurers' deposits	1,086,455	862,899
	<u>2,855,514</u>	<u>2,078,065</u>

21. End-of-Service Indemnity Provision

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Provision for staff end-of-service indemnity	13,008	11,025
	<u>13,008</u>	<u>11,025</u>

The following table illustrates the movement on the end-of-service indemnity provision:

	December 31,				
	Balance Beginning of the Year	Taken for the Year	Paid During the Year	2018	2017
	JD	JD	JD	JD	JD
Provision for end-of-service indemnity	11,025	1,983	-	13,008	11,025
	<u>11,025</u>	<u>1,983</u>	<u>-</u>	<u>13,008</u>	<u>11,025</u>

22. Other Liabilities

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Sales tax deposits	120,823	123,290
Shareholders' deposits	91,489	93,750
Stamps deposits	13,270	8,417
Unearned income	30,864	30,863
Various provisions	946	74,628
	<u>257,392</u>	<u>330,948</u>

23. Authorized and Paid Capital

Authorized, subscribed, and paid capital amounted to JD 8,000,000, distributed over 8,000,000 shares with a par value of JD 1 as of December 31, 2018 and 2017.

24. Reserves

Statutory Reserve

The amounts accumulated in this account represent appropriations from annual income before tax at 10% as of December 31, 2018. This reserve may not be distributed to shareholders.

Voluntary Reserve

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

25. Investment Valuation Reserve – Net after Tax

This amount represents the change in fair value of financial assets at fair value through comprehensive income after tax. The details are as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	(113,848)	(30,727)
Changes in investment revaluation reserve - Net	(129,089)	(83,121)
New income tax rate implementation	6,393	-
Balance – End of Year	<u>(236,544)</u>	<u>(113,848)</u>

26. Retained Earnings

This item consists of the following:

	2018	2017
	JD	JD
Balance at the beginning of the year	1,249,575	1,454,227
IFRS (9) implementation – Note (3)	<u>(277,648)</u>	-
	971,927	1,454,227
Profit for the year	304,899	450,864
Dividends distributed to shareholders	<u>(320,000)</u>	<u>(600,000)</u>
Balance transferred to reserves	<u>(31,697)</u>	<u>(55,516)</u>
Balance – End of Year	<u>925,129</u>	<u>1,249,575</u>

27. Dividends

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).

28. Credit Interest

This item consists of the following:

	2018	2017
	JD	JD
Earned bank interest	405,693	348,828
Interest on investments in financial assets at amortized cost	101,117	66,272
Loans interest	2,234	1,888
Total	<u>509,044</u>	<u>416,988</u>
Amount transferred to underwriting accounts	60,758	43,552
Amount not transferred to underwriting accounts	<u>448,286</u>	<u>373,436</u>
	<u>509,044</u>	<u>416,988</u>

29. Net Profit from Financial Assets and Investments

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Cash dividends of financial assets at fair value through Statement of income	50,179	55,956
Cash dividends of financial assets at fair value through other comprehensive income	144,433	142,404
Real estate investments amortization	(53,280)	(53,280)
Expenses real estate	(12,171)	-
Net change in fair value of financial assets at fair value through statement of income	(55,618)	(36,042)
(Losses) gain on sale of assets at fair value through statement of income	(36,086)	497
Returns on real estate investments rent	67,340	67,340
	<u>104,797</u>	<u>176,875</u>
Amount transferred to underwriting accounts	7,263	12,199
Amount not transferred to underwriting accounts	97,534	164,676
	<u>104,797</u>	<u>176,875</u>

30. Other Revenue

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Profits on contracts	88,193	116,398
Medical entities' deductions	166,053	159,277
(Losses) from on sale of properties and equipment	(1,669)	-
Other	-	21
	<u>252,577</u>	<u>275,696</u>
Amounts transferred to underwriting accounts	254,577	275,675
Amounts not transferred to underwriting accounts	(1,699)	21
	<u>252,577</u>	<u>275,696</u>

31. Employees Expenses

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Salaries and bonuses	1,339,055	1,256,782
End-of-service indemnity	1,983	(23,024)
Company's social security contributions	157,761	145,843
Medical expenses and life insurance	14,793	137,510
Employees development and training	4,447	5,804
The Company's share of social committee's fund	4,052	6,150
	<u>1,650,091</u>	<u>1,529,065</u>
Employees' Expenses Allocated to Underwriting Accounts *	1,320,073	1,223,252
Employees' Expenses Unallocated to Underwriting Accounts	330,018	305,813
	<u>1,650,091</u>	<u>1,529,065</u>

* The above-mentioned expenses were allocated as follows:

	2018	2017
	JD	JD
Motor	723,735	673,503
Marine and transportation	41,615	39,556
Fire and other property damages	129,866	117,573
Other insurance	40,213	30,789
Credit	13,854	12,906
Medical	251,064	217,695
Life	119,726	131,230
	<u>1,320,073</u>	<u>1,223,252</u>

32. General and Administrative Expenses

This item consists of the following:

	2018	2017
	JD	JD
Rent	18,471	16,923
Printing and stationery	52,662	47,138
Advertising and marketing	21,301	24,794
Bank charges	16,366	18,349
Water, electricity and heating	53,268	43,897
Maintenance	42,174	24,618
Post and telephone	17,669	23,325
Stamps	3,085	1,426
Hospitality	21,765	17,579
Lawyers' expenses and fees	34,369	18,135
Subscriptions	25,198	28,638
Tender fees	12,194	11,434
Sales tax	132,327	101,718
Donations	4,000	3,250
Cars expenses	5,419	5,789
Professional fees	79,895	57,916
Travel and transportation of Board members	26,143	36,594
Property tax	29,417	29,189
Credit rating	16,420	24,146
Other expenses	47,856	107,508
Total	<u>659,999</u>	<u>642,366</u>
Total General and Administrative Expenses		
Allocated to Underwriting Accounts *	527,999	494,586
Total General and Administrative Expenses		
Unallocated to Underwriting Accounts	<u>132,000</u>	<u>147,780</u>
	<u>659,999</u>	<u>642,366</u>

* The above-mentioned expenses were allocated as follows:

	2018	2017
	JD	JD
Motor	289,478	267,260
Marine and transportation	16,645	15,335
Fire and other damages	51,944	49,690
Other insurance	16,084	12,514
Credit	5,541	5,034
Medical	100,420	84,995
Life	47,887	59,758
	<u>527,999</u>	<u>494,586</u>

33. Earnings per Share for the Year

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

	2018	2017
	JD	JD
Income for the year	304,899	450,864
Number of shares	<u>8,000,000</u>	<u>8,000,000</u>
Earnings per Share for the Year	<u>0/038</u>	<u>0/056</u>

34. Cash and Cash Equivalents

The details of this item are as follows:

	December 31,	
	2018	2017
	JD	JD
Cash on hand and at banks	960,575	705,862
<u>Add: Deposits at banks maturing within three months</u>	<u>5,735,625</u>	<u>5,395,587</u>
	<u>6,696,200</u>	<u>6,101,449</u>

35. 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 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 year:

	December 31, 2018			Total	
	Major Shareholders	Board Members	Top Executive Management	December 31,	
				2018	2017
	JD	JD	JD	JD	JD
<u>Statement of Financial Position Items:</u>					
Accounts receivable	433,255	1,560	-	434,815	144,352
Accounts payable	46,705	5,208	-	51,913	186,144
<u>Income Statement Items:</u>					
Premiums	791,269	3,200	1,076	795,545	1,306,691
Compensation *	1,473,920	-	-	1,473,920	1,222,931
Salaries and rewards	-	35,000	300,369	335,369	325,737
Travel and transportation allowance	-	26,143	1,916	28,058	11,273

* Represent re-insurance share of paid claims approximately 98% of gross paid claim.

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

<u>Description</u>	December 31,	
	2018	2017
	JD	JD
Salaries, rewards and other benefits	302,285	300,416
Rewards, transportation, and accommodation allowances for Board members	61,143	36,594
	<u>363,428</u>	<u>337,010</u>

36. Risk Management

The Company manages risks by various methods, using a comprehensive strategy to identify and mitigate risks through the risk management committee's unit, headed by a risk manager, with the support of an official from each department, the investment committee, and the internal audit committee ensuing from the Board of Directors.

Risks are reviewed and the necessary measures are taken to face and mitigate them. Moreover, all duty stations are responsible for identifying the risks related to their activity, setting the proper supervisory controls, and monitoring the sustainability of their efficiency. The risks the Company is exposed to are numerous, diverse, and include the Company's various types of business, such as:

a. Insurance Risk

Includes insurance contract, pricing, risk analysis, measurement, categorization, compensation, disasters as well as exposure to catastrophes.

b. Credit risk and concentration of assets

The Company's insurance business exposes it to many risks, including credit risk arising from the debtors' default or inability to settle their obligations owed to the Company, thus causing losses to the Company. Therefore, one of the most important duties of the financial department in the Company is to ensure that these risks do not go beyond the

general framework set in advance in the policy of the Company, which endeavors to balance risk, return, and liquidity.

The Company's management evaluates the creditworthiness of the customers periodically according to the customer evaluation system. The assets concentration risk is addressed through distributing the Company's portfolio to the world's first-class reinsurers to ensure distribution of risks to a minimum degree.

c. Liquidity Risk

In its management of liquidity risks, the Company diversifies its sources of funds within the various types of insurance. It also analyses the maturities of assets and liabilities to ensure that they match, monitors liquidity and gaps risks, and maintains an adequate cash balance as well as balances that can be readily liquidated to face risks.

d. Market Risk

Since the Company invests in securities, it is necessary to analyze the performance of the stock market, as the Jordanian financial market is an emerging stock exchange. Therefore, dealings in this market are exposed to liquidity risk.

Risk Management:

The Board of Directors, along with other parties, are responsible for identifying and monitoring risks.

Risk Committee:

The Risk Management Committee is fully responsible for developing the risk strategy and applying the general principles and pre-determined limits.

Risk measurement and reporting system:

Monitoring and controlling risks is performed through monitoring the allowed limits for each type of risk, and these limits reflect the Company's business strategy and pertinent market factors.

The Risk Management Committee gathers and analyzes information from the Company's various departments, to identify the expected related risks. This information is presented and explained to the Board of Directors and the committees emanating from it.

1. Insurance Risks

a. Insurance Risk

The risks of any insurance contract represent probability of occurrence of the insured incident and uncertainty of the claim amount related to that incident. This is due to the nature of insurance policies, whereby risks are volatile and unpredictable. Moreover, the probability theory for pricing and reserve can be applied because insurance events are not stable and vary from year to year. Consequently, estimates might differ from their respective statistics.

Studies showed that the more similar insurance contracts are, the closer the expectations to actual loss are. Moreover, diversifying insurance risks decreases the insurance loss.

Frequency of Claims

The frequency and amounts of claims can be affected by several factors. The main insurance business for the Company is insurance against fire, general accidents, liabilities, motor, marine, aviation, medical and life.

Property and Liability Insurance:

Property and liability insurance is designed to compensate policyholders for the damages to their properties, owing to several key risks, as well as other additional risks such as loss of profits and foregone income.

These insurance contracts are underwritten based on the market or replacement values of the insured property and its content.

The volume of claims from realizing these risks is addressed through entering into reinsurance agreements with international reinsurers.

Motor:

The purpose of motor insurance is to compensate the policyholders for the damage or loss that might happen to their motors or the legal liability towards others emerging from accidents.

As for motor insurance, the main risks represent compensations for death, physical injuries, replacing or repairing cars, or the legal liability towards others.

The Company's losses exceeding JD 53,000 during the year 2018 and JD 53,000 during the year 2017 were covered by reinsurers. The Company also transfers some of these risks to other local insurance companies.

Marine and Transportation:

Marine insurance is designed to compensate policyholders or related beneficiaries for loss, deterioration, or damage to marine, land, or air freight, as well as related partial or total loss.

The underwriting strategy for the marine and transport sector is to ensure that policies are well-diversified in terms of insured vessels, shipping routes and lands that the insurance cover.

The volume of claims from the realizing of these risks is addressed through reinsurance agreements with international reinsurers.

Medical Insurance:

Medical insurance includes compensation to the insured when damage is caused by illness or injury, resulting in the provision of fixed financial benefits or benefits in the form of compensation or a combination of both.

The Company resorts to external reinsurers to mitigate this risk.

b. Development of claims:

The tables below show actual claims (based on management's estimates at the end of the year) in comparison with the expectations for the past four years based on the year in which the motor insurance claims were reported, as well as the year in which general insurance and life insurance were underwritten. The details are as follows:

Motor Insurance - Gross:

The year incident occurred	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the year - end	38,327,196	8,485,475	8,449,250	9,294,915	9,508,367	
After one year	38,009,368	8,443,807	9,234,111	9,809,905	-	
After two years	37,429,456	8,296,674	9,177,436	-	-	
After three years	36,679,586	7,963,724	-	-	-	
After four years	36,419,425	-	-	-	-	
Current estimates of accumulated claims	36,419,425	7,963,724	9,177,436	9,809,905	9,508,367	72,878,857
Cumulative payments	36,090,359	7,761,304	8,520,543	8,826,347	6,631,938	67,830,492
Commitments as in the statement of financial position	329,066	202,420	656,892	983,558	2,876,428	5,048,365
Surplus in the provision estimate	-	521,751	(728,186)	(514,991)	-	

Marine Insurance:

The year incident occurred	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the year end	972,363	29,205	129,843	58,151	240,822	
After one year	992,482	29,691	122,534	55,344	-	
After two years	988,273	29,677	-	-	-	
After three years	984,588	29,094	-	-	-	
After four years	980,237	-	-	-	-	
Current estimates of accumulated claims	980,237	29,094	122,534	55,344	240,822	1,428,031
Cumulative payments	934,808	24,742	121,462	43,501	60,003	1,184,516
Commitments as in the statement of financial position	45,430	4,351	1,072	11,843	180,819	243,515
(Deficit)Surplus in the provision estimate	-	21	7,287	2,564	-	

Fire and other Insurance:

The year incident occurred	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the year end	9,031,522	320,333	66,418	1,150,784	1,263,456	
After one year	8,344,232	313,566	86,932	1,195,914	-	
After two years	8,234,528	311,933	82,837	-	-	
After three years	8,205,973	304,751	-	-	-	
After four years	8,207,292	-	-	-	-	
Current estimates of accumulated claims	8,207,292	304,751	82,837	1,195,914	1,262,456	11,056,182
Cumulative payments	6,646,561	304,160	81,665	1,174,875	183,733	8,390,994
Commitments as in the statement of financial position	1,563,662	591	1,172	21,040	1,078,723	2,665,188
(Deficit)Surplus in the provision estimate Bottom of Form	-	15,581	(16,422)	(45,170)	-	

Credit Insurance:

The year incident occurred	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the year end	-	515,271	109,100	529,093	481,546	
After one year	-	515,271	259,157	620,371	-	
After two years	-	522,779	134,773	-	-	
After three years	-	528,197	-	-	-	
After four years	-	-	-	-	-	
Current estimates of accumulated claims	-	528,197	134,773	620,371	481,546	1,764,887
Cumulative payments	-	528,197	134,773	586,876	3,113	1,252,959
Commitments as in the statement of financial position	-	-	-	33,495	478,433	511,928
(Deficit)Surplus in the provision estimate	-	(12,927)	(25,673)	(91,277)	-	

Other General Insurance:

The year incident occurred	2014 and before JD	2015 JD	2016 JD	2017 JD	2018 JD	Total JD
At the year end	2,269,337	116,257	24,903	3,145,786	66,978	
After one year	3,173,589	40,531	24,805	1,160,264	-	
After two years	2,889,371	37,210	25,789	-	-	
After three years	2,877,284	37,229	-	-	-	
After four years	2,891,951	-	-	-	-	
Current estimates of accumulated	2,891,951	37,229	25,879	1,160,264	66,978	4,182,302
Cumulative payments	2,111,525	36,208	22,098	23,693	6,182	2,199,707
Commitments as in the statement of financial position	780,426	1,022	3,781	1,136,571	60,796	1,982,595
Surplus (Deficit) in the provision estimate	-	79,044	(914)	2,004,010		

Medical Insurance:

	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
The year incident occurred	2,428,559	2,857,102	2,616,225	2,823,295	4,173,066	
At the year - end						
Current estimates of accumulated claims	2,428,559	2,857,102	2,616,225	2,823,295	4,173,066	14,898,247
Cumulative payments	2,428,559	2,857,102	2,616,225	2,320,759	3,623,975	14,349,156
Commitments as in the statement of financial position	-	-	-	-	549,091	549,091
Surplus in the provision estimate	-	-	-	-	-	-

Life Insurance:

	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
The year incident occurred	395,478	711,729	718,730	384,548	697,291	
At the year end						
Current estimates of accumulated claims	395,478	711,729	718,730	384,548	697,291	
Cumulative payments	395,478	711,729	718,730	-	-	2,907,776
Commitments as in the statement of financial position	-	-	-	-	-	2,210,485
Surplus in the provision estimate	-	-	-	-	697,291	

C. Concentration of Insurance Risk

The Company distributes the Concentration of Insurance Risk according to insurance type, including the insurance amounts covered by this type.

Concentration of Liabilities according to the insurance type is as follows:

Insurance Type	2018		2017	
	Total	Net	Total	Net
	JD	JD	JD	JD
Motor	11,886,821	10,329,151	12,473,360	11,139,028
Marine	424,009	78,257	222,746	43,241
Fire and Others damages to properties	3,874,214	183,618	3,796,299	169,612
Other general Accidents	2,393,428	344,479	4,259,355	317,255
Credit	555,162	(1775)	332,231	(12,347)
Medical	2,212,973	1,373,131	2,249,292	1,410,140
Life	1,373,408	698,953	1,196,298	792,585
	<u>22,720,014</u>	<u>13,005,814</u>	<u>24,529,581</u>	<u>13,859,514</u>

Concentration of the assets, liabilities and items off the financial position according to the geographical and sectorial distribution is as follows:

	2018			2017		
	Assets	Liabilities	Items off the Statement of Financial Position	Assets	Liabilities	Items Outside the Financial Position
	JD	JD	JD	JD	JD	JD
<u>According to geographical area:</u>						
Inside Jordan	28,164,448	18,019,293	351,523	27,519,009	17,648,630	364,087
Other Middle East countries	1,064,168	967,418	-	837,133	250,945	-
Europe	379,552	511,643	-	497,991	429,299	-
	<u>29,608,168</u>	<u>19,498,554</u>	<u>351,523</u>	<u>28,854,133</u>	<u>18,328,874</u>	<u>364,087</u>

Concentration of accounts receivable (before impairment provision) and accounts payable according to sector is as follows:

	2018			2017		
	Assets	Liabilities	Items off the Statement of Financial Position	Assets	Liabilities	Items Outside the Financial Position
	JD	JD	JD	JD	JD	JD
<u>According to the sector:</u>						
Public	21,195	131	-	2,284	799	-
Private:						
Firms and Corporations	5,713,691	4,346,498	351,523	6,686,044	3,014,923	364,087
Individuals	1,103,930	529,611	-	1,041,356	267,867	-
	<u>6,838,816</u>	<u>4,876,240</u>	<u>351,523</u>	<u>7,729,684</u>	<u>3,283,589</u>	<u>364,087</u>

D. Re-insurance Risk:

In common with other insurance companies, to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurance companies. Ceded reinsurance contracts do not absolve the Company from its obligations to policyholders. Consequently, the Company remains liable for the portion of outstanding reinsured claims to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

E. Sensitivity of Insurance Risks

The following table shows the effect of a reasonably possible change in the premium rates on the statement of income and shareholders' equity, with all other variables held constant:

Insurance Type	Percentage	Effect on Premiums	Effect on Profit before Tax	Effect on Shareholder's Equity *
	%	JD	JD	JD
Life	5	104,619	32,945	25,038
Motor	5	632,419	561,729	426,914
Marine and Transportation	5	36,364	4,457	3,388
Fire and Others damages to properties	5	113,481	7,359	5,593
Others	5	35,139	3,483	2,647
Credit	5	12,106	577	439
Medical	5	219,386	116,893	88,838
		<u>1,153,514</u>	<u>727,443</u>	<u>552,857</u>

* Net after deducting tax income.

If there is a negative change, the effect is equal to the above change with the opposite sign.

The following table shows the effect of a reasonably possible change in the cost of compensation (net of recoveries) on the statement of income and shareholders' equity, with all other variables held constant:

Insurance Type	Percentage	Effect on Premiums	Effect on Profit before Tax	Effect on Shareholder's Equity *
	%	JD	JD	JD
Life	5	22,428	(16,351)	(12,427)
Motor	5	525,718	(445,853)	(338,848)
Marine and Transportation	5	694	(337)	(256)
Fire and Others	5	4,428	(52,228)	(39,693)
Others	5	776	(31,000)	(23,560)
Credit	5	602	(334)	(254)
Medical	5	96,977	(50,387)	(38,294)
		<u>651,623</u>	<u>(596,490)</u>	<u>(453,332)</u>

* Net after deducting tax income

If there is a negative change, the effect is equal to the above change with the opposite sign.

2. Financial Risks:

The risks to which the Company is exposed arise from insufficient returns on investments to finance liabilities resulting from insurance contracts and investments.

Moreover, the Company adopts financial policies for managing the various risks within a specific strategy. The Company's management also monitors and controls risks and optimizes the strategic allocation of both financial assets and financial liabilities. These risks include interest rate risks, credit risks, foreign currency rates risks, and market risks.

The Company follows the hedging policy for both financial assets and financial liabilities, as needed, which is hedging against expected future risks.

A- Market Risks:

Market risks are irregular risks and risks that vary by industry. These risks include price risks, business potential, and competition. This type of risks can be minimized by diversifying the Company's investment portfolio.

The risk can be estimated by standard deviation if the expected return on investment is equal, and if it is not equal, the difference coefficient is calculated for each investment, by dividing the standard deviation by the expected return for each investment. The lower the standard deviation, the lower the risk level.

B- Interest Rate:

Interest rate risks relate to long-term bank deposits, bonds, and other deposits. Moreover, the Company always seeks to reduce this risk through monitoring changes in market interest rates.

Interest rate risk relates to interest rate on fixed deposits with banks and overdrafts. As of December 31, 2018, the interest rate on bank deposits ranged from 3/3% to 5% annually on the JD deposits.

The table below shows the sensitivity to exposure to interest rates on deposits at the balance sheet date. The analysis below has been prepared on the assumption that the amount of deposits outstanding at the balance sheet date was valid for the entire financial period. As increase or decrease of 1% is used, which represents the management's assessment of the likely and acceptable change in interest rates.

	+ 1%		- 1%	
	For the year ending December 31,		For the year ending December 31,	
	2018	2017	2018	2017
	JD	JD	JD	JD
Profit for the year	77,642	81,018	(77,642)	(81,018)
Shareholders' Equity	77,642	81,018	(77,642)	(81,018)

C- Foreign Currency Risks:

The Company's main operations are in Jordanian Dinar. Moreover, currency risk relates to the changes in currency rates that apply to foreign currency-denominated payments. As for US Dollar transactions, the Company's management believes that the foreign currency risk associated with the US Dollar is immaterial because the Jordanian Dinar (functional currency of the Company) is pegged to the US Dollar.

D- Liquidity Risk:

Management follows an appropriate risk management system for short-and long-term financing through maintaining appropriate reserves, actual monitoring of the expected cash flows, and matching the maturities of financial assets and financial liabilities on the one hand, and technical liabilities, on the other.

Liquidity risk is the risk that the Company will not be able to provide the necessary funding to meet its obligations on their due dates. In order to ward off these risks, the management diversifies sources of funds, manages assets and liabilities, matches their maturities and maintains sufficient cash and cash equivalents and tradeable securities.

- The table below summarize the maturity of financial liabilities (on the base of period to

December 31, 2018	Less than One Month	Month - 3 Months	3 Months - 6 Months	6 Months - 1 Year	1 Year - 3 Years	More than 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities * :								
Account payable	-	2,020,726	-	-	-	-	-	2,020,726
Accrued expenses	49,792	-	-	-	-	-	-	49,792
Re-insurance payables	-	2,855,514	-	-	-	-	-	2,855,514
Income tax provision	-	-	-	-	-	-	-	-
End-of-service compensation Provision	-	-	-	-	-	-	13,008	13,008
Deferred tax liabilities	-	-	-	-	-	-	267,451	267,451
Other liabilities	257,392	-	-	-	-	-	-	257,392
Total	<u>307,184</u>	<u>4,876,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,459</u>	<u>5,463,883</u>
Total Assets	<u>5,595,856</u>	<u>6,384,726</u>	<u>2,955,887</u>	<u>3,135,040</u>	<u>-</u>	<u>-</u>	<u>11,536,659</u>	<u>29,608,168</u>
December 31, 2017								
Liabilities * :								
Account payable	-	1,205,524	-	-	-	-	-	1,205,524
Accrued expenses	40,270	-	-	-	-	-	-	40,270
Re-insurance payables	-	2,078,065	-	-	-	-	-	2,078,065
Income tax provision	-	-	-	26,788	-	-	-	26,788
End-of-service compensation Provision	-	-	-	-	-	-	11,025	11,025
Deferred tax liabilities	-	-	-	-	-	-	150,337	150,337
Other liabilities	<u>330,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,948</u>
Total	<u>271,218</u>	<u>3,283,589</u>	<u>-</u>	<u>26,788</u>	<u>-</u>	<u>-</u>	<u>161,362</u>	<u>3,842,957</u>
Total Assets	<u>6,546,577</u>	<u>3,394,518</u>	<u>-</u>	<u>8,384,847</u>	<u>157,957</u>	<u>1,404,202</u>	<u>8,966,032</u>	<u>28,854,133</u>

maturity since the financial statement date):

* Liabilities above don't contain insurance contract liabilities.

E- **Credit Risks:**

These risks arise from the other parties' inability to fulfil their liabilities. These risks relate to the following:

- 1- Reinsurers.
- 2- Policyholders.
- 3- Insurance brokers.

To reduce credit risks, the Company performs the following:

- 1- Sets credit limits for brokers and agents.
- 2- Controls receivables.
- 3- Sets up reinsurance policies with other solvent parties.
- 4- Keeps the Company's cash balances with local and international banks.

37. Key sector analysis

A. Business segment information

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

- The General Insurance Sector: includes motor, transporting, fire and other damages to property, and liability.
- Life Insurance Sector.
- These two sectors represent the basis on which the Company presents the information on the key sectors. The two sectors above also include investments and cash management for the Company's account. Transactions among the business segments are based on the same terms used for others.

B. Geographical Distribution Information

This represents the geographical distribution of the Company's business. The Company carries out its activities in the kingdom, which represent the local business.

	Inside Jordan		Outside Jordan		Total	
	December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total Assets	28,094,335	27,519,008	1,513,833	1,335,125	29,608,168	28,854,133
Total Revenue	16,431,847	14,701,160	997,018	820,481	17,428,865	15,521,641
Capital Expenditures	57,364	119,383	-	-	57,364	119,383

38. Capital Management:

The Company's objectives with respect to the management of capital are as follows:

- A. Abiding with the insurance Company's minimum capital prescribed by the Jordanian Insurance Law, which states the existing Company's capital prior the coming into force of the law. According to the provisions of this law, the Company has been licensed to conduct all types of General Insurance, jointly and severally, for JD 4 million.
- B. Ensuring the continuity of the Company and its ability to provide shareholders with profitable returns on capital.
- C. Providing the appropriate return to shareholders through the pricing of insurance contracts commensurate with the risks related to such contracts.
- D. Complying with the instructions of the Insurance Commission relating to the solvency margin.

E. The table below summarizes the Company's capital and the minimum capital required:

	December 31,	
	2018	2017
	JD	JD
Total capital maintained and minimum capital required under the Jordanian Insurance Law	8,000,000	8,000,000

F. The following table shows the Company's capital and solvency margin ratio as of December 31, 2018 and 2017:

	December 31,	
	2018	2017
	JD	JD
Primary Capital:		
Authorized and paid-up capital	8,000,000	8,000,000
Statutory reserve	1,246,512	1,214,815
Voluntary reserve	174,717	174,717
Retained earnings	925,129	1,249,575
Total Primary Capital	10,346,358	10,639,107
Additional Capital:		
Financial assets cumulative change in fair value	(236,544)	(113,848)
Increase in investment properties fair value	168,875	-
Additional capital	(67,669)	(113,848)
Total Regulatory Capital (a)	10,278,689	10,525,259
Total Capital Required (b)	6,691,652	5,964,158
Margin of Solvency (a) / (b)	153/60%	176/48%

39. Assets and Liabilities Maturities

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

	Within One Year	More than One Year	Total
	JD	JD	JD
December 31, 2018			
Assets			
Deposits at banks	7,764,215	-	7,764,215
Financial assets at fair value through statement of income	1,215,317	-	1,215,317
Financial assets at fair value through other Comprehensive income	-	2,415,212	2,415,212
Financial assets at amortized cost	-	1,359,701	1,359,701
Investment property	-	2,176,695	2,176,695
Life insurance policyholders' loans	-	19,971	19,971
Cash on hand and at banks	960,575	-	960,575
Checks under collection	2,519,034	703,297	3,222,331
Receivables - net	3,611,983	-	3,611,983
Re-insurance accounts receivable	2,000,385	-	2,000,385
Deferred tax assets	-	783,913	783,913
Property and equipment - net	-	2,486,535	2,486,535
Intangible assets - net	-	143,486	143,486
Other assets	-	1,447,849	1,447,849
Total Assets	18,071,509	11,536,659	29,608,168
Liabilities			
Unearned premiums reserve - net	6,690,545	-	6,690,545
Claims reserve - net	3,419,355	3,407,355	6,826,710
Mathematical reserve - net	-	517,216	517,216
Payables	2,020,726	-	2,020,726
Accrued expenses	49,792	-	49,792
Re-insurance accounts payable	2,855,514	-	2,855,514
End-of-service provision	-	13,008	13,008
Provision for income tax	-	267,451	267,451
Other liabilities	257,392	-	257,392
Total Liabilities	15,293,324	4,205,030	19,498,354
Net	2,778,185	7,331,629	10,109,814

	Within One Year	More than One Year	Total
December 31, 2017	JD	JD	JD
Assets			
Deposits at banks	8,101,822	-	8,101,822
Financial assets at fair value through statement of income	1,322,935	-	1,322,935
Financial assets at fair value through comprehensive income	-	2,585,066	2,585,066
Financial assets at amortized cost	-	1,562,159	1,562,159
Investment property	-	2,229,975	2,229,975
Life insurance policyholders' loans	-	21,608	21,608
Cash on hand and at banks	705,862	-	705,862
Checks under collection	1,368,890	-	1,368,890
Receivables – net	5,272,348	-	5,272,348
Re-insurance accounts receivable	1,554,085	-	1,554,085
Deferred tax assets	-	544,038	544,038
Property and equipment – net	-	2,619,736	2,619,736
Intangible assets - net	-	100,214	100,214
Other assets	-	865,395	865,395
Total Assets	18,325,942	10,528,191	28,854,133
Liabilities			
Unearned premiums reserve – net	6,42,109	-	6,427,109
Claims reserve – net	3,711,535	3,711,537	7,423,072
Mathematical reserve – net	-	635,736	635,736
Payables	1,205,524	-	1,205,524
Accrued expenses	40,270	-	40,270
Re-insurance accounts Payable	2,078,065	-	2,078,065
End-of-service provision	-	11,025	11,025
Provision for income tax	26,788	-	26,788
Deferred tax liabilities	-	150,337	150,337
Other liabilities	330,948	-	330,948
Total Liabilities	13,820,239	4,508,635	18,328,874
Net	4,505,703	6,019,556	10,525,259

40. 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 14,151,510 as of December 31, 2018. These lawsuits include a lawsuit for JD 12,639,041. In this lawsuit, the other party claims damages resulting from a fire accident. In this regard, the Company's share does not exceed 2.5% of the claim amount should any liability from this claim arise. In the opinion of the Company's management and its lawyer, these damages are not covered by the Company's insurance policy. Consequently, the other party has absolutely no right to the said damages. In this respect, the Company has taken adequate provisions against any liabilities that might arise therefrom. In the opinion of the Company's management and its lawyer, no liabilities in excess of the provisions within the net claims provision shall arise.

There are lawsuits by the Company against third parties, the total estimated lawsuits amounted to JD 1.62 million as of December 31, 2018 (JD 900,000 as of December 31, 2017).

41. Contingent Liabilities

The Company had contingent liabilities against bank guarantees of JD 397,523 as of December 31, 2018 with cash deposits of JD 1,000 (JD 364,087 as of Dec 31, 2017).

42. Fair Value Levels

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

Some of the 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. (evaluation techniques and key inputs).

Financial Assets	Fair Value		Fair Value Level	Methods of Evaluation and Inputs Used	Significant Intangible Inputs	Relationship between Significant Intangible Inputs and Fair Value
	December, 31					
	2018	2017				
Financial assets at fair value:	JD	JD				
Financial assets at fair value through Statement of income:						
Quoted shares	1,215,317	1,322,935	Level 1	As Stock Market	Not Applied	Not Applied
Financial assets at fair value through other comprehensive income:						
Quoted shares	2,282,012	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
	2,415,212	2,585,066				
Total of Financial Assets at Fair Value	3,630,529	3,908,001				

There were not any transfers between Level 1 and Level 2 during the year 2018, 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 financial statements

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Financial assets not determined at fair value				
Deposits at banks	7,764,215	7,910,986	8,101,822	8,183,882
Financial assets at amortized cost	1,359,701	1,442,194	1,562,159	1,593,812
Property investment	<u>2,176,695</u>	<u>2,398,850</u>	<u>2,229,975</u>	<u>2,398,850</u>
Total	<u>11,300,611</u>	<u>11,752,030</u>	<u>11,893,956</u>	<u>12,176,544</u>

approximates their fair value because of their short-term maturity or repricing of interest during the year.

For the items listed above, fair value of Level 2 financial assets at fair value has been determined according to the agreed pricing models, which reflect the insurance risk of the dealt with parties