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Date : 30-07-2017

Ref : 90/AD/ 2017

To : Jordan Securities Commission

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Quarterly Report as of 30/06/2017

Attached the Quarterly Report of (Arab Orient Insurance Company) as of 30-06-2017 .

Kindly accept our highly appreciation and respect

Senior Manager / Accounting Department
Wail Shehadeh

Deputy CEO
Khalil Khmous



ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2017



Building a better
working world

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**REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF ARAB ORIENT INSURANCE
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed financial statements of ARAB ORIENT COMPANY (a public shareholding company) as of 30 June 2017, comprising of interim statement of financial position as of 30 June 2017 and the related interim statement of comprehensive income, interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for six months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Other Matters

The interim condensed financial statements have been prepared for the purposes of Jordan Securities Commission and management and do not require the Insurance department approval.

Amman – Jordan
26 July 2017

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE THREE MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	<u>Notes</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
		<u>JD</u>	<u>JD</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Assets</u>			
Bank deposits	3	30,668,782	34,766,739
Financial assets at fair value through profit or loss	4	6,608,890	6,573,693
Financial assets at amortized cost	5	2,484,152	1,001,719
Total Investments		39,761,824	42,342,151
Cash in hands and at banks	14	1,524,311	1,425,299
Checks under collection		6,112,419	6,038,339
Accounts receivable, net	6	46,917,261	45,105,374
Reinsurers' receivable	7	3,331,431	5,694,692
Deferred income tax assets	8	5,694,219	3,192,956
Property and equipment, net		5,001,243	5,102,732
Intangible assets		899,651	493,224
Other assets		1,246,684	1,118,674
Total Assets		110,489,043	110,513,441
<u>Liabilities and Equity</u>			
<u>Liabilities –</u>			
<u>Technical Reserves</u>			
Unearned premium reserve, net		25,164,604	16,651,359
Premium deficiency reserve, net		600,000	600,000
Outstanding claims reserve, net		20,755,449	19,574,833
Total Technical Reserves		46,520,053	36,826,192
<u>Other liabilities</u>			
Accounts payable	9	9,784,595	14,172,217
Accrued expenses		223,729	224,484
Reinsurers' payables	10	26,550,441	24,002,398
Other provisions		1,039,616	974,343
Income tax provision	8	-	76,545
Other liabilities		414,611	426,492
Deferred tax liabilities	8	50,973	-
Total Liabilities		84,584,018	76,702,671
<u>Equity</u>			
Paid in capital	11	21,438,252	21,438,252
Statutory reserve		4,683,051	4,683,051
Retained earnings		7,689,467	7,689,467
Loss for the period		(7,905,745)	-
Total Shareholders' Equity		25,905,025	33,810,770
Total Liabilities and Shareholders' Equity		110,489,043	110,513,441

The attached notes 1 to 18 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Notes	For the three months ended 30 June 2017		For the six months ended 30 June 2017	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		JD	JD	JD	JD
Revenue –					
Gross written premium		20,422,333	23,035,886	62,544,651	62,020,758
Less: reinsurance share		13,011,969	16,208,128	39,651,477	34,824,465
Net written premium		7,410,364	6,827,758	22,893,174	27,196,293
Net change in unearned premiums provision		1,388,650	4,023,254	(8,513,245)	(2,823,513)
Net earned premium		8,799,014	10,851,012	14,379,929	24,372,780
Commissions income		1,982,607	2,293,506	6,056,527	5,292,223
Insurance policies issuance fees		1,010,200	852,765	2,452,949	2,070,417
Interest income		310,841	300,474	630,656	587,935
Net (loss) gain from financial assets and investments	12	(673,094)	142,091	266,494	228,467
Gain from selling property and equipment		4	-	16	51
Total revenues		11,429,572	14,439,848	23,786,571	32,551,873
Claims and related expenses					
Paid claims		22,812,737	19,128,674	49,737,157	42,267,241
Less: Recoveries		853,039	879,083	1,671,944	1,772,516
Less: Reinsurance share		8,766,188	10,574,538	24,206,643	22,830,729
Paid claims, net		13,193,510	7,675,053	23,858,570	17,663,996
Net change in claims reserve		380,056	1,278,385	1,180,616	394,235
Allocated employees' expenses		1,500,604	713,586	3,437,162	2,910,295
Allocated general and administrative expenses		753,420	1,667,423	1,685,467	2,303,764
Excess of loss premium		209,581	135,428	426,195	340,390
Policies acquisition costs		539,870	625,202	1,418,281	1,488,226
Other expenses		52,554	43,140	123,564	108,917
Net Claims		16,629,595	12,138,217	32,129,855	25,209,823
Unallocated employees' expenses		375,151	178,396	859,290	727,574
Depreciation and amortization		181,418	155,588	336,140	339,384
Unallocated general and administrative expenses		188,355	416,856	421,367	575,941
Allowance for doubtful debts		200,000	370,000	350,000	850,000
Total expenses		944,924	1,120,840	1,966,797	2,492,899
(Loss) Profit for the period before tax		(6,144,947)	1,180,791	(10,310,081)	4,849,151
Income tax expenses	8	2,623,653	(200,037)	2,404,336	(1,080,443)
(Loss) Profit for the period		(3,521,294)	980,754	(7,905,745)	3,768,708
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (loss) profit per share for the period	13	(0/164)	0/045	(0/368)	0/175

The attached notes 1 to 18 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Paid in capital	Statutory reserve	Retained earnings*	(Loss) or Profit for the period	Total
	JD	JD	JD	JD	JD
30 June 2017 -					
Balance at 1 January 2017	21,438,252	4,683,051	7,689,467	-	33,810,770
Total comprehensive income for the period	-	-	-	(7,905,745)	(7,905,745)
Balance at 30 June 2017	<u>21,438,252</u>	<u>4,683,051</u>	<u>7,689,467</u>	<u>(7,905,745)</u>	<u>25,905,025</u>
30 June 2016 -					
Balance at 1 January 2016	21,438,252	4,538,423	8,237,404	-	34,214,079
Total comprehensive income for the period	-	-	-	3,768,708	3,768,708
Dividends	-	-	(1,607,869)	-	(1,607,869)
Balance at 30 June 2016	<u>21,438,252</u>	<u>4,538,423</u>	<u>6,629,535</u>	<u>3,768,708</u>	<u>36,374,918</u>

- * Retained earnings include an amount of JD 5,694,219 as of 30 June 2017, (3,192,956: 31 December 2016) representing deferred tax assets that cannot be distributed according to the securities commission instructions.

The attached notes 1 to 18 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Notes	30 June 2017 JD	30 June 2016 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit for the period before tax		(10,310,081)	4,849,151
Adjustment for non-cash items			
Depreciation and amortization		336,140	339,384
Gain from sale of property and equipment		(16)	(51)
Outstanding claims provision, net		1,180,616	394,235
Unearned premium provision, net		8,513,245	2,823,513
End of service indemnity provision		137,007	136,105
Provision for doubtful debts		350,000	850,000
Gain on sale of financial assets at fair value through profit or loss		-	(9,853)
Net change in financial assets at fair value through profit or loss		212,389	188,766
Cash flows from operating activities before changes in working capital		419,300	9,571,250
Checks under collection		(74,080)	(60,214)
Accounts receivable		(2,301,427)	(9,476,531)
Reinsurers' receivable		2,502,801	2,229,452
Other assets		(128,010)	114,653
Accounts payable		(4,387,622)	(868,824)
Accrued expenses		(755)	(48,245)
Reinsurers' payable		2,548,043	(833,405)
Other liabilities		(11,881)	(18,976)
Net cash flows from (used in) operating activities before paid tax		(1,433,631)	609,160
Paid from end of service provision		(71,734)	(36,824)
Income tax paid		(122,499)	(1,331,786)
Net cash flows from (used in) operating activities		(1,627,864)	(759,450)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		4,097,957	(575,530)
Proceeds from sale of financial assets at fair value through profit or loss		-	364,730
Interest revenue from government bond (Kingdom of Bahrain)		3,298	-
(Purchase) of financial assets at amortized cost held to maturity		(1,485,731)	-
(Purchase) of intangible assets		(505,377)	(19,902)
(Purchase) of property and equipment		(135,718)	(150,493)
Proceeds from sale of property and equipment		35	906
(Purchase) of financial assets at fair value through profit or loss		(247,588)	(448,594)
Net cash flows from (used in) investing activities		1,726,876	(828,883)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Distribution of cash dividends		-	(1,607,869)
Net cash flows from financing activities		-	(1,607,869)
Net increase (decrease) in cash and cash equivalent		99,012	(3,196,202)
Cash and cash equivalents at beginning of the period	14	1,425,299	3,413,632
Cash and cash equivalents at the end of the period	14	1,524,311	217,430

The attached notes 1 to 18 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD
Written Premiums:																
Direct insurance	14,970,855	13,022,448	423,034	1,494,623	-	-	2,447,611	2,659,613	367,761	435,787	39,782,052	40,425,829	3,031,779	2,131,550	61,023,082	60,169,850
Optional reinsurers	434,627	499,437	(1,561)	13,074	-	45,609	1,067,294	1,146,142	1,719	485	-	-	19,480	146,161	1,521,559	1,850,908
Total Premiums	15,405,482	13,521,885	421,473	1,507,697	-	45,609	3,514,905	3,805,755	369,480	436,272	39,782,052	40,425,829	3,051,259	2,277,711	62,544,641	62,020,758
Less:																
Local reinsurers' share	522,126	528,727	8,546	14,994	-	45,609	1,103,583	1,050,582	-	-	-	-	92,994	345,677	1,727,249	1,985,599
Foreign reinsurers' share	360,811	158,440	245,949	1,248,924	-	-	1,684,878	1,939,226	255,004	346,029	33,070,543	27,962,700	2,307,043	1,483,547	37,924,228	32,838,865
Net Written Premiums	14,522,545	12,834,718	166,978	243,779	-	-	726,444	815,937	114,476	90,243	6,711,509	12,763,129	651,222	448,487	22,893,174	27,196,293
Add:																
Balance at the beginning of the period																
Unearned premium provision	10,578,885	11,000,914	1,048,368	902,307	11,495	10,212	8,453,742	5,695,233	478,225	656,425	26,679,131	24,815,132	1,556,356	2,288,407	46,806,202	45,388,630
Less: reinsurers' share	824,107	716,399	962,102	762,945	11,495	10,212	6,039,154	5,235,337	409,182	570,795	20,645,653	17,333,756	1,263,150	1,936,311	30,154,843	26,565,755
Net Unearned Premiums	9,754,778	10,284,515	86,266	139,362	-	-	414,588	459,896	69,043	85,630	6,033,478	7,481,376	293,206	352,096	16,651,359	18,802,875
Less:																
Balance at the ending of the period																
Unearned premium provision	13,700,380	12,119,591	177,759	689,541	724	30,075	4,730,380	4,675,080	344,707	378,257	31,491,237	34,510,585	2,303,518	1,916,340	52,748,685	54,319,459
Less: Reinsurers' share	679,274	586,438	106,901	556,862	724	30,075	4,101,184	4,055,348	258,568	296,593	20,552,906	25,730,509	1,884,524	1,437,246	27,584,081	27,693,071
Unearned Premiums provision - net	13,021,086	11,533,143	70,858	132,679	-	-	629,196	619,732	86,139	81,664	10,938,331	8,780,076	418,994	479,094	25,164,604	21,626,388
Net Earned revenue from written Premium	11,256,237	11,596,090	182,386	250,462	-	-	511,836	656,101	97,380	94,209	1,806,656	11,464,429	525,434	321,489	14,379,929	24,372,780

The attached notes 1 to 18 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017		2016		2017		2016		2017		2016		2017		2016	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	10,168,675	9,751,321	167,046	130,552	-	-	6,110,432	535,368	34,853	29,824	32,852,090	31,441,671	404,261	318,505	49,737,157	42,267,241
Less:																
Recoveries	1,571,780	1,629,673	-	-	-	-	94,613	111,748	1,510	1,250	-	-	3,941	29,845	1,671,944	1,772,516
Local reinsurers' share	19,493	61,147	-	-	-	-	235,915	49,719	-	448	-	-	12,939	45,975	288,347	157,289
Foreign reinsurers' share	2,352	56,577	100,012	106,914	-	-	5,421,972	245,684	3,062	9,558	18,215,499	22,052,300	195,399	192,407	23,938,296	22,673,440
Net Paid Claims	8,575,050	8,003,924	67,034	83,638	-	-	357,932	128,217	29,981	18,568	14,636,591	9,379,371	191,982	50,278	23,858,570	17,663,995
Add:																
Outstanding Claims provision at the end of the period	14,075,408	12,754,566	137,567	129,237	-	-	3,955,873	3,604,273	242,927	209,517	9,163,659	8,136,965	1,873,710	3,153,033	29,449,144	27,987,591
Reported	2,600,000	3,200,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	5,275,981	5,596,593	170,000	170,000	8,295,981	9,176,593
Unreported																
Less:																
Reinsurers' share from reported claims	721,381	946,733	94,759	80,489	-	-	3,658,628	3,131,018	103,563	99,320	6,261,351	6,103,940	1,427,804	2,751,061	12,287,486	13,112,561
Reinsurers' share from IBNR	-	-	-	-	-	-	-	-	-	-	3,604,976	4,168,275	-	-	3,604,976	4,168,275
Recoveries	1,117,214	688,357	-	-	-	-	-	-	-	-	-	-	-	-	1,117,214	688,357
Net Outstanding Claims provision at the end of the period	14,836,813	14,319,476	62,808	68,748	-	-	497,245	673,255	169,364	140,197	4,573,313	3,421,343	615,906	571,972	20,755,449	19,194,991
Outstanding Claims provision at the beginning of the period	13,634,307	12,363,377	161,363	199,723	-	-	9,716,371	2,214,841	227,533	184,274	8,580,203	6,187,356	1,995,896	3,147,513	34,315,673	24,297,084
Reported	3,000,000	3,200,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,707,987	4,271,098	170,000	170,000	8,127,987	7,891,058
Unreported																
Less:																
Reinsurers' share from reported	958,800	880,198	111,573	112,522	-	-	9,188,983	1,784,169	109,820	173,460	6,510,537	4,148,360	1,553,524	2,661,406	18,413,237	9,760,115
Reinsurers' share from IBNR	-	-	-	-	-	-	-	-	-	-	3,572,354	2,863,591	-	-	3,572,354	2,863,591
Recoveries	883,236	763,720	-	-	-	-	-	-	-	-	-	-	-	-	883,236	763,720
Net Outstanding Claims provision at the beginning of the period	14,792,271	13,919,459	69,790	107,201	-	-	747,388	630,672	147,713	40,814	3,205,299	3,446,503	612,372	656,107	19,574,833	18,800,759
Net Claims Cost	8,618,592	8,403,941	60,052	45,185	-	-	107,789	170,800	51,632	117,951	16,004,605	9,364,211	195,516	(33,857)	25,039,186	18,058,231

The attached notes 1 to 18 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2017 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	11,256,237	11,566,090	182,386	250,462	-	-	511,836	656,101	97,380	94,209	1,806,656	11,464,429	525,434	321,489	14,379,829	24,372,780
Less:																
Net claims cost	8,619,592	8,403,941	60,052	45,185	-	-	107,789	170,800	51,632	117,951	16,004,805	9,354,211	195,516	(33,857)	25,039,186	18,058,231
	2,636,645	3,182,149	122,334	205,277	-	-	404,047	485,301	45,748	(23,742)	(14,197,949)	2,110,218	329,918	355,346	(10,659,257)	6,314,549
Add:																
Commissions received	83,472	45,588	76,909	303,630	301	355	446,722	573,198	57,668	65,945	4,855,850	3,866,555	535,605	438,952	6,056,527	5,292,223
Insurance policies issuance fees	480,023	194,660	24,049	36,514	303	606	176,502	138,306	10,904	13,136	1,668,747	1,602,641	92,421	78,554	2,452,949	2,070,417
Total revenue	3,200,140	3,422,397	223,282	545,421	604	961	1,027,271	1,196,805	114,320	59,339	(7,673,352)	7,579,414	957,944	872,852	(2,149,781)	13,577,189
Less:																
Insurance policies acquisition costs	473,245	463,711	10,744	154,439	-	-	77,765	119,880	11,438	15,805	734,035	578,397	111,054	145,994	1,418,281	1,488,226
Excess of loss premiums	107,343	106,502	42,065	37,617	-	-	193,675	139,215	-	-	-	-	83,112	57,056	426,195	340,390
Allocated general and administrative expenses	1,261,764	1,136,780	34,520	128,751	-	3,834	287,863	319,948	30,262	36,677	3,258,291	3,398,583	249,909	191,486	5,122,629	5,214,059
Other expenses	-	-	2,183	2,592	-	-	7,231	7,752	-	-	111,556	95,400	2,594	3,173	123,584	108,917
Total Expenses	1,842,352	1,706,993	89,512	331,399	-	3,834	566,554	596,795	41,700	52,482	4,103,882	4,072,380	446,669	397,709	7,090,669	7,51,592
Underwriting profit (loss)	1,357,788	1,715,404	133,780	214,022	604	(2,873)	460,717	610,010	72,620	6,857	(11,777,334)	3,507,034	511,275	475,143	(9,240,450)	6,525,587

The attached notes 1 to 18 form part of these interim financial statements

(1) GENERAL

The Company was established in 1996 and registered as a Jordanian public limited shareholding company under No. (309), with a paid in capital of JD 2,000,000 divided into 2,000,000 shares with a par value of JD 1 each. The paid in capital increased many times; most recently during 2014 so that the authorized and paid in capital reached to JD 21,438,252 divided into 21,438,252 shares with a par value of JD 1 each.

The Company is engaged in insurance business against fire, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located at Jabal Amman 3rd circle in Amman, and other branches at Dier Gubar, Tla'a Al Ali, Biader Wadi Elseer, Abdali and Abdali- Boulevard in Amman, a branch in Aqaba City and a branch in Irbid city.

The Company is 90.45% owned by Gulf Insurance Company as of 30 June 2017.

The financial statements were approved by the Board of Directors in its meeting 26 July 2017

(2) ACCOUNTING POLICIES

(2-1) Basis of preparation

The interim financial statements as of 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The Jordanian Dinar is the functional and reporting currency of the financial statements.

The financial statements have been prepared on historical cost basis, except for financial assets at fair value through comprehensive income that have been measured at fair value.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual report as at 31 December 2016. In addition, the results for the six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

(2-2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016, except for the adoption of new amendments effective as of 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's interim condensed consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

Business Segment

The business segment represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which is measured based on the reports used by the chief operating decision maker.

The geographic segment relates to providing products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

Estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

The details of significant estimates made by management are as follows:

- A provision of doubtful debt is estimated by the management based on their principles and assumptions according to Insurance Commission Regulation.
- The financial year is charged with its related income tax in accordance with laws and regulations.
- The management periodically reviews tangible and intangible assets useful life in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the statement of comprehensive income.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to Insurance Commission Regulation and actuarial studies.
- A provision on lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so this impairment is taken to the statement of comprehensive income.

(3) BANK DEPOSITS

This item represents the following:

	30 June 2017		31 December 2016
	Deposits matured between 6 months to 1 Year	Total	Total
	JD	JD	JD
		(Unaudited)	(Audited)
Inside Jordan	30,668,782	30,668,782	34,766,739
	30,668,782	30,668,782	34,766,739

Interest rates on bank deposit balances in Jordanian Dinar range from 3.25% to 5% during the period of the year 2017.

Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amounted to JD 225,000 as of 30 June, 2017 and 31 December 2016.

There are no restricted balances except for restricted balances which represent pledged deposits in favor of the General Manager of the Insurance Regulatory Commission.

Below are the distribution of deposits at banks:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Jordan Kuwait Bank	4,806,487	5,822,562
Capital Bank	2,082,196	2,044,441
Audi Bank	2,099,604	2,064,991
Societe General Bank	-	2,916,759
Blom Bank	2,558,843	2,515,598
Al Etihad Bank	2,889,905	2,845,615
Jordan Commercial Bank	5,138,509	2,135,476
Arab Banking Corporation Bank	6,203,108	6,203,107
Ahli Bank	4,890,130	8,218,190
	<u>30,668,782</u>	<u>34,766,739</u>

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	Number of shares	30 June 2017	31 December 2016
		JD	JD
		(Unaudited)	(Audited)
Listed shares			
Cairo Amman Bank	553,581	874,658	1,024,125
Afaq for Energy Company	1,140,147	2,633,739	2,622,338
Afaq for Investment and Real Estate Development	1,541,500	2,435,570	2,497,230
Dar Al Dawa Development and Investment	316,630	664,923	430,000
Total financial assets at fair value through profit or loss inside Jordan		<u>6,608,890</u>	<u>6,573,693</u>

(5) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	30 June 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Unlisted Bonds:			
Arab Real Estate Development Company*	120	1,200,000	1,200,000
Total financial assets at amortized cost – inside Jordan		1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - net		1,000	1,000

The maturity of the bonds are as follows:

		Less than a year JD	More than a year JD
<u>Outside of Jordan:</u>			
Arab Real Estate Development Company*		1,000	-
Treasury bonds/ Hashemite Kingdom of Jordan**	1,330	952,510	-
Treasury bonds/ Kingdom of Bahrain Government***	715	532,734	-
Treasury bonds/ Kingdom of Bahrain Government****	1,315	997,908	1,000,719
Net financial assets at amortized cost		2,483,152	1,000,719
Total financial assets at amortized cost		2,484,152	1,001,719

- * These bonds matured on April 1, 2011 at fixed annual interest rate of 10%. Interest is paid every six months on October 1st and April 1st of each year, the first payment was on October 1st 2008. The Board of Directors approved in its meeting number (2) held on March 24, 2011 the published amended draft prospectus that was approved by the General Assembly of the bonds owners on March 28, 2011. The prospectus includes extending the maturity date of these bonds to April 1, 2014 and amending the interest rate to become a fixed annual interest rate of 11%, to be paid semiannually on October 1st, and April 1st each year starting from October 1st 2011. The Company did not collect or record any interest from these bonds after the prospectus was modified.

Following the decision of the General Assembly of the bonds owners in its meeting held on the 26th of October, 2011 the Housing Bank for Trade and Finance, as the trustee, has started the legal procedures against Arab Real Estate Development Company (Arab Corp) and filed a lawsuit under number (3460/2011) at the First Instance Court of Amman to demand the rights of the bonds owners.

Arab Real Estate Development Company bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 30 June 2017.

- ** Treasury bonds/ Hashemite Kingdom of Jordan are due on the 31 January 2027 with an interest rate of 5.75% and paid on two equal installments on the 30th of April and 30th of June, until the maturity date of the bond.
- *** Treasury bonds/ Kingdom of Bahrain Government are due on the 12th of October 2028 with an interest rate of 7% and paid on two equal installments on the 12th of October and 12th of April, until the maturity date of the bond.
- **** Treasury bonds/ Kingdom of Bahrain Government are due on the 26 of January 2026 with an interest rate of 7% and paid on two equal installments on the 26th of January and 26th of July, until the maturity date of the bond.

(6) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Policy holders *	48,993,357	47,945,633
Brokers receivables	1,916,462	1,633,200
Employees' receivables	130,056	122,693
Other	1,804,857	841,779
	52,844,732	50,543,305
Less: Provision for doubtful debts**	(5,927,471)	(5,437,931)
	46,917,261	45,105,374

* Includes scheduled payment amounted to JD 30,618,049 as of 30 June 2017 (JD 27,188,018 as of 31 December 2016).

** Movement on the provision for doubtful debts consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	5,437,931	3,887,931
Additions	350,000	1,550,000
Transferred from reinsurers' provision	139,540	-
Balance at the end of the period / year	5,927,471	5,437,931

(7) REINSURERS' RECEIVABLES, NET

This item consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	1,872,728	2,251,228
Foreign reinsurers' companies	1,856,232	3,980,533
	3,728,960	6,231,761
Less: Provision for doubtful debt for reinsurers' receivables *	(397,529)	(537,069)
Net reinsurers' receivables	3,331,431	5,694,692

* Movement on the provision for doubtful debts consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	537,069	537,069
Transferred to provision for doubtful debts	(139,540)	-
Balance at end of the period/year	397,529	537,069

(8) INCOME TAX

Income tax provision

The movement on the income tax provision is as follows:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Balance at beginning of the period/ year	76,545	1,357,805
Income tax paid	(122,499)	(1,864,420)
Prior year income tax	45,954	-
Income tax paid in advance	-	(61,409)
Income tax expense for the period/year	-	644,569
Balance at the end of the period/year	-	76,545

The income tax expense appears in the statement of income represents the following:

	30 June 2017	30 June 2016
	JD	JD
	(Unaudited)	(Unaudited)
Income tax for the period	-	1,310,548
Prior year income tax	45,954	-
Deferred tax assets	50,973	(6,883)
Deferred tax liabilities	(2,501,263)	(223,222)
	<u>(2,404,336)</u>	<u>1,080,443</u>

	30 June 2017	30 June 2016
	JD	JD
	(Unaudited)	(Unaudited)
Accounting (loss) profit	(10,310,081)	4,849,151
Non deductible expenses	(347,237)	(544,215)
Non taxable	786,034	1,155,682
Taxable (loss) profit	<u>(9,871,284)</u>	<u>5,460,618</u>
Effective income tax rate	<u>24%</u>	<u>24%</u>
Statutory income tax rate	<u>24%</u>	<u>24%</u>

Final settlement for income tax between the Company and Income and Sales Tax Department was reached until 31 December 2014.

Income tax return was submitted for the years 2015 and it is still not reviewed by Income and Sales Tax Department until the date of financial statements.

Final settlement for sales tax between the company and Income and Sales tax Department was reached until 31 December 2014.

In the opinion of the management and the tax consultant the provision taken is adequate.

	30 June 2017			2016	
	Beginning	Released	Additions	Ending	Deferred
	Balance	Amounts		Balance	Tax
B. <u>Deferred tax asset</u>	JD	JD	JD	JD	JD
					(Unaudited)
Provision for doubtful debt receivables and reinsurers'	5,975,000	-	350,000	6,325,000	1,518,000
Impairment loss on financial asset	1,199,000	-	-	1,199,000	287,760
Provision for incurred but not reported claims, net	4,555,633	-	135,372	4,691,005	1,125,843
Provision for end of service indemnity	974,343	(71,734)	137,007	1,039,616	249,508
Loss for the period	-	-	9,871,284	9,871,284	2,369,108
Premium deficiency provision, net	600,000	-	-	600,000	144,000
	13,303,976	(71,734)	10,493,663	23,725,905	5,694,219
					3,192,956

	Liabilities		Assets	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Balance at beginning of the period/ year	-	6,883	3,192,956	2,796,989
Additions	(50,973)	(6,883)	2,501,263	395,967
Balance at the end of the period/year	(50,973)	-	5,694,219	3,192,956

(9) ACCOUNTS PAYABLE

	30 June 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Agent's payables	1,171,314	992,309
Employees payables	15,710	19,211
Garages payables	540,285	859,953
Medical network payables	3,631,381	7,739,572
Trade and companies payable	4,425,905	4,561,172
	<u>9,784,595</u>	<u>14,172,217</u>

(10) REINSURER'S PAYABLE

	30 June 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Local insurance companies	50,298	26,564
Foreign reinsurance companies	26,500,143	23,975,834
	<u>26,550,441</u>	<u>24,002,398</u>

(11) PAID IN CAPITAL

Authorized and paid in capital amounted to JD 21,438,252 divided into 21,438,252 shares the par value of each is JD 1 as of 30 June 2017 (JD 21,438,252 shares of JD 1 each as of 31 December 2016).

(12) NET (LOSS) GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

	30 June 2017 JD (Unaudited)	30 June 2016 JD (Audited)
Cash dividends (financial assets at fair value through profit and loss)	432,317	407,380
Unrealized loss on financial assets at fair value through profit and loss	(212,389)	(188,766)
Interest on financial assets at amortized costs	46,566	-
Gain on sale of financial assets at fair value through profit and loss	-	9,853
	<u>266,494</u>	<u>228,467</u>

(13) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The profit per share is calculated by dividing the profit for the year by the weighted average number of shares during the year:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
(Loss) profit for the period (JD)	(3,521,294)	980,754	(7,905,745)	3,768,708
Weighted average number of shares (Shares)	21,438,252	21,438,252	21,438,252	21,438,252
	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings (loss) per share from the period	<u>(0/164)</u>	<u>0/045</u>	<u>(0/368)</u>	<u>0/175</u>

The diluted earnings (loss) per share for the period is equal to the basic earnings (loss) per share.

(14) CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 June 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Cash in hand and bank balances	1,524,311	1,425,299
Add: deposits at bank	30,668,782	34,766,739
Less: deposits at banks mature within the period of more than three months	(30,443,782)	(34,541,739)
Less: restricted deposits to the insurance, commission (note 3)	(225,000)	(225,000)
Net Cash and cash equivalent	1,524,311	1,425,299

(15) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as of 30 June 2017

During 2011 it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurers' accounts through Gulf Insurance Company, where to company's credit balance amounted to JD 1,397,910 as of 30 June 2017.

Below is a summary of related parties balances and transactions during the period / year:

	Related party		Total	
	Jordan Kuwait Bank (Former Board member)	Top Executive Management	30 June 2017	31 December 2016
	JD	JD	JD	JD
			(Unaudited)	(Audited)
Statement of Financial Position Items:				
Time deposits	4,806,487	-	4,806,487	5,822,562
Overdraft account - credit balance	(307,269)	-	(307,269)	354,383
Term deposits	1,688,061	-	1,688,061	934,699
Deposits on letters of guarantee	456,292	-	456,292	449,441
Accounts receivable	363,090	9,621	372,711	9,740
Off-statement of Financial Position Items:				
Letters of guarantee	4,562,920	-	4,562,920	4,494,410
	Jordan Kuwait Bank (Former Board member)	Top Executive Management	30 June 2017	30 June 2016
	JD	JD	JD	JD
			(Unaudited)	(Audited)
Statement of Income Items :				
Bank interest income	83,474	-	83,474	107,901
Insurance premiums	1,785,443	6,867	1,792,310	1,683,375
Bank expenses and commissions	73,715	-	73,715	80,248
Salaries	-	494,682	494,682	383,341
Bonuses	-	197,077	197,077	164,526
Transportation expenses for members of the Board of Directors	-	25,200	25,200	25,200

Top Executive management (salaries, bonuses, and other benefits) are as follows:

	30 June 2017	30 June 2016
	JD	JD
	(Unaudited)	(Audited)
Salaries and bonuses	691,759	547,867

(16) ANALYSIS OF MAIN SECTORS

Background for the company business sectors general insurance sector includes insurance on motor marine, fire and property, liability, medical and others, the sectors above also include investments and cash management for the company account the activities between the business sectors are performed based on commercial basis.

(17) LAWSUITS AGAINST THE COMPANY

There are lawsuits filed against the Company claiming compensation for a total amount of JD 3,248,579 as of 30 June 2017. In the opinion of the Company's management and its lawyer, no obligations shall arise that exceeds the allocated amounts within the net claims reserve. And, there are lawsuits filed from the company within its activity for a total amount of JD 2,656,235 as at 30 June 2017.

(18) CONTINGENT LIABILITIES

The Company has letter of guarantee of JD 4,562,920 as of 30 June 2017 against which cash margins of JD 456,292 are held.