gig Jordan
مجموعة الخليج للتأمين

Date: 27/03/2019

Ref: 13/AD/ 2019

To: Amman Stock Exchange

Financial Statements for the year Ended 31/12/2018

Attached are the English financial statements of Arab Orient Insurance Co. for the year ended 31/12/2018 after being audited by our external auditors

Kindly accept our highly appreciation and respect

Deputy Director/ Accounting Department	**CFO**
Wail Shehadeh	**Saad Farah**

Arab Orient Insurance | gig
Accounting Department
09

بورصة عمان
الدائــرة الإدارية والمالية
الديــوان
٣١ آذار ٢٠١٩
الرقم المتسلسل: ١٥٩٤
رقم الملـف: ١٤٠١١٢
الجهة المختصة: الله الدرسل

Building a better
working world

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

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Fax: 00 962 6553 8300
www.ey.com/me

28 March 2019

Messrs,
Arab Orient Insurance Company
Public Shareholding Company
Amman - Jordan

Dear Sirs,

Enclosed please find five copies of the financial statements for the year ended at 31 December 2018, together with auditors report.

Very truly yours,

ERNST & YOUNG/ JORDAN

By ______________________
Mohammad Al Karaki

ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Arab Orient Insurance Company Public Shareholding Company
Amman- Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab Orient Insurance Company a public shareholding company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 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. For each matter below, our description of how our audit addressed the matter provided in that context .

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.

1. Revenue recognition	**How the key audit matter was addressed in the audit**
Revenue is an important determinant of the Company's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut- off date. The total written premium is JD 85,232,935 for the year ended 31 December 2018.	Our audit procedures included evaluating the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Company's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by lines of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Company's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period. Disclosures of accounting policies for revenue recognition are details in note (2) to the financial statement.

<table>
<tr>
<td>2. Estimates used in calculation and completeness of insurance liabilities

The Company has significant insurance liabilities of JD 34,499,916 representing 53% of the Company's total liabilities as at 31 December 2018. The measurement of insurance liabilities (outstanding claims, unearned premium reserve and premium deficiency reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.</td>
<td>How the key audit matter was addressed in the audit

Our audit procedures included, amongst others, assessing the Company's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Company. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Company and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities.

Disclosures of assumptions and accounting policies related to insurance contracts liabilities are details in note (2) to the financial statement.</td>
</tr>
<tr>
<td>3. Insufficiency of provision for expected credit losses

The Company's total accounts receivable and checks under collection amounted to JD 29,133,168 as at 31 December 2018.

The company has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on accounts receivable and checks under collection. The company has established a provision matrix that is based on the company's historical credit loss experience, adjusted for forward-looking factors and economic environment.

Due to the significance of accounts receivable and checks under collection and the related estimation uncertainty based on the requirements of (IFRS 9), this considered a key audit matter.</td>
<td>How the key audit matter was addressed in the audit

Our audit procedure included the following:

- Understanding the Company's policy in calculating the provision in comparison with the requirements of International Financial Reporting Standard (IFRS 9).

- We verified the inputs and the information used in the expected credit losses framework.

- We assessed the appropriateness and the reasonableness of the assumptions used by management in calculating the provision for expected credit losses.

The disclosures that are related to provision for expected credit losses are details in note (9,10) to the financial statements. Disclosure of the assumptions and accounting policies related to provision for expected credit losses are details in note (2) to the financial statements.</td>
</tr>
</table>

Other information included in the Company's 2018 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2018 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, 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 IFRSs, and for such internal control as management determines is 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 exist. 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.

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As part of an audit in accordance with ISAs, we exercise professional judgment 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 the purpose of expressing an opinion on the effectiveness of the Company's 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 exist, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes 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 reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the accompanying financial statements.

The partner in charge of the audit resulting in this auditor's report was Mohammad Ibrahim Al-Karaki, license number 882.

Amman – Jordan
17 February 2019

Ernst + Young

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Assets			
Bank deposits	3	47,070,424	42,693,311
Financial assets at fair value through profit or loss	4	-	7,387,685
Financial assets at fair value through other comprehensive income	5	5,051,191	-
Financial assets at amortized cost	6	2,471,328	2,480,008
Total Investments		54,592,943	52,561,004
Cash and cash equivalents	7	2,494,466	1,242,338
Checks under collection	8	4,251,884	5,035,226
Accounts receivable	9	24,881,284	31,166,615
Reinsurance receivable	10	1,322,370	2,117,281
Deferred tax assets	11	5,722,030	6,690,252
Property and equipment	12	4,808,393	5,071,019
Intangible assets	13	645,220	797,415
Other assets	14	1,427,919	1,317,926
Total Assets		100,146,509	105,999,076
Liabilities and Equity			
Liabilities –			
Technical reserves			
Unearned premium reserve		14,838,093	15,635,902
Premium deficiency reserve		884,000	884,000
Outstanding claims reserve		18,777,823	20,407,783
Total Technical Reserves		34,499,916	36,927,685
Accounts payable	15	6,186,513	12,474,165
Accrued expenses		635,184	341,226
Reinsurance payables	16	22,253,293	20,640,504
Other provisions	17	1,084,242	1,016,768
Deferred tax liabilities	11	55,451	55,451
Other liabilities	18	227,718	215,491
Total Liabilities		64,942,317	71,671,290
Authorized and Equity –			
Authorized and paid in capital	19	21,438,252	21,438,252
Statutory reserve	20	5,107,646	4,683,051
Fair value reserve		(2,399,231)	-
Accumulated losses	21	(542,475)	(3,393,517)
Net Equity		23,604,192	22,727,786
Subordinated loan	28	11,600,000	11,600,000
		35,204,192	34,327,786
Total Liabilities and Equity		100,146,509	105,999,076

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
Revenues-			
Gross written premium		85,232,935	95,427,353
Less: reinsurance share		46,428,263	58,886,512
Net written premium		38,804,672	36,540,841
Net change in unearned premium reserve		797,809	1,015,457
Net change in premium deficiency reserve		-	(284,000)
Net earned premium		39,602,481	37,272,298
Commissions income		6,700,220	8,201,622
Insurance policies issuance fees		4,085,547	4,030,632
Interest income	22	2,406,727	1,525,567
Net profit from financial assets and investments	23	302,503	201,272
Total revenues		53,097,478	51,231,391
Claims, losses and expenses			
Paid claims		69,155,671	93,654,430
Less: Recoveries		(4,060,011)	(3,575,408)
Less: Reinsurance share		(31,788,283)	(42,691,671)
Net paid claims		33,307,377	47,387,351
Net change in outstanding claims reserve		(1,629,960)	832,950
Allocated employees' expenses	24	6,327,084	6,476,887
Allocated general and administrative expenses	25	2,947,688	3,244,054
Excess of loss premium		799,809	837,915
Policies acquisition costs		2,207,198	2,255,748
Other expenses		249,571	253,865
Net Claims costs		44,208,767	61,288,770
Unallocated employees' expenses	24	1,581,771	1,541,495
Unallocated general and administrative expenses	25	736,921	811,014
Depreciation and amortization	12,13	678,227	693,444
Expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivable	9,10	1,562,000	1,350,000
Expected credit losses on checks under collection	8	52,317	-
Loss from sale property and equipment		31,523	25,543
Gross expenses		4, 642,759	4,421,496
Profit (Loss) for the year before tax		4,245,952	(14,478,875)
Income tax (expense) benefit	11	(1,033,052)	3,395,891
Profit (Loss) for the year		3,212,900	(11,082,984)
		JD/Fils	JD/Fils
Basic and diluted earnings (loss) per share	26	0/150	(0/517)

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	JD	JD
Profit (Loss) for the year	3,212,900	(11,082,984)
Changes in fair value of financial assets at fair value through other comprehensive income	(2,336,494)	-
Total comprehensive income for the year	876,406	(11,082,984)

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Authorized and paid in capital	Statutory reserve	Fair value reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
2018 -					
Balance at 1 January 2018	21,438,252	4,683,051	-	(3,393,517)	22,727,786
IFRS (9) implementation effect (note 2)	-	-	(62,737)	62,737	-
Adjusted balance at 1 January 2018	21,438,252	4,683,051	(62,737)	(3,330,780)	22,727,786
Profit for the year	-	-	-	3,212,900	3,212,900
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	(2,336,494)	-	(2,336,494)
Total comprehensive income for the year	-	-	(2,336,494)	3,212,900	876,406
Transferred to statuary reserve	-	424,595	-	(424,595)	-
Balance at 31 December 2018	21,438,252	5,107,646	(2,399,231)	(542,475)	23,604,192
2017 -					
Balance at 1 January 2017	21,438,252	4,683,051	-	7,689,467	33,810,770
Total comprehensive income for the year	-	-	-	(11,082,984)	(11,082,984)
Balance at 31 December 2017	21,438,252	4,683,051	-	(3,393,517)	22,727,786

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		JD	JD
OPERATING ACTIVITIES			
Profit (Loss) for the year before tax		4,245,952	(14,478,875)
Adjustment for non-cash items			
Depreciation and amortization	12, 13	678,227	693,444
Expected credit losses on account receivables and provision for doubtful debts on reinsurance receivable		1,562,000	1,350,000
Expected credit losses on checks under collection		52,317	-
Changes in fair value of financial assets at fair value through profit or loss		-	231,045
Loss from sale of property and equipment and intangible assets		31,523	25,543
End of service indemnity provision	24	404,010	269,159
Net change in outstanding claims reserve		(1,629,960)	832,950
Net change in unearned premium reserve		(797,809)	(1,015,457)
Net change in premium deficiency reserve		-	284,000
Cash flows from (used in) operating activities before changes in working capital		4,546,260	(11,808,191)
Checks under collection		731,025	1,003,115
Accounts receivable		4,811,906	12,435,737
Reinsurers' receivable		706,336	3,730,433
Other assets		(109,993)	(199,253)
Accounts payable		(6,287,652)	(1,698,052)
Accrued expenses		293,958	116,742
Reinsurers' payable		1,612,789	(3,361,894)
Other liabilities		12,227	(211,001)
Net cash flows from operating activities before paid tax and end of service provision		6,316,856	7,636
Income tax paid	11	(64,830)	(122,499)
(Paid from) end of service provision	17	(336,536)	(226,734)
Net cash flows from (used in) operating activities		5,915,490	(341,597)
INVESTING ACTIVITIES			
Deposits at banks maturing after three months		(4,377,113)	(7,926,572)
Purchase of property and equipment		(221,168)	(479,473)
Proceeds from sale of property and equipment		17,290	15,341
Purchase of financial assets at fair value through profit or loss		-	(1,045,038)
Purchase of intangible assets		(91,051)	(527,333)
Purchase of financial assets at amortized cost to maturing date		-	(1,485,732)
Proceeds from Interest on treasury bonds/Kingdom of Bahrain		8,680	7,443
Net cash flows used in investing activities		(4,663,362)	(11,441,364)
FINANCING ACTIVITIES			
Cash dividends		-	-
Subordinated loan		-	11,600,000
Net cash flow from financing activities		-	11,600,000
Net increase (decrease) in cash and cash equivalent		1,252,128	(182,961)
Cash and cash equivalents at beginning of the year		1,242,338	1,425,299
Cash and cash equivalents at the end of the year	27	2,494,466	1,242,338

The attached notes 1 to 39 form part of these financial statements

Arab Orient Insurance
Public Shareholding Company
Statement of Under Writing Revenues for the General Insurance
For the Year Ended 31 December 2018

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premium:																
Direct insurance	18,846,294	23,761,512	1,033,527	740,897	92,519	16,733	7,599,820	7,611,885	819,340	920,595	51,015,627	55,351,793	4,490,583	4,773,338	83,897,710	93,176,753
Reinsurance inward business	1,033,019	1,067,398	-	(1,561)	-	-	278,258	1,142,416	2,095	2,031	-	-	21,853	40,316	1,335,225	2,250,600
Total Premium	19,879,313	24,828,910	1,033,527	739,336	92,519	16,733	7,878,078	8,754,301	821,435	922,626	51,015,627	55,351,793	4,512,436	4,813,654	85,232,935	95,427,353
Less:																
Local reinsurance share	752,975	1,416,465	2,778	10,005	-	-	322,547	1,305,765	-	(59)	-	-	114,740	145,457	1,193,040	2,877,633
Foreign reinsurance share	266,852	433,131	756,749	411,324	92,519	16,733	6,564,241	6,354,520	640,779	731,632	33,411,434	44,399,893	3,502,649	3,661,646	45,235,223	56,008,879
Net Written Premium	18,859,486	22,979,314	274,000	318,007	-	-	991,290	1,094,016	180,656	191,053	17,604,193	10,951,900	895,047	1,006,551	38,804,672	36,540,841
Add:																
Balance at the beginning of the year																
Unearned premium reserve	10,441,001	10,578,885	171,415	1,048,368	6,990	11,495	5,370,037	6,453,742	364,925	478,225	16,692,507	26,679,131	1,538,037	1,556,356	34,584,912	46,806,202
Less: reinsurance share	766,354	824,107	91,329	962,102	6,990	11,495	4,892,854	6,039,154	299,056	409,182	11,610,763	20,645,653	1,281,664	1,263,150	18,949,010	30,154,843
Net Unearned Premium Reserve	9,674,647	9,754,778	80,086	86,266	-	-	477,183	414,588	65,869	69,043	5,081,744	6,033,478	256,373	293,206	15,635,902	16,651,359
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	600,000	-	-	884,000	600,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	600,000	-	-	884,000	600,000
Less:																
Balance at the end of the year																
Unearned premium reserve	9,160,063	10,441,001	188,020	171,415	26,378	6,990	5,442,393	5,370,037	394,077	364,925	15,534,285	16,692,507	1,872,001	1,538,037	32,617,217	34,584,912
Less : Reinsurance share	544,680	766,354	120,969	91,329	26,378	6,990	5,039,991	4,892,854	328,565	299,056	10,090,911	11,610,763	1,627,630	1,281,664	17,779,124	18,949,010
Unearned Premiums Reserve-net	8,615,383	9,674,647	67,051	80,086	-	-	402,402	477,183	65,512	65,869	5,443,374	5,081,744	244,371	256,373	14,838,093	15,635,902
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,,000
Net: Earned revenue from written Premium	19,918,750	23,059,445	287,035	324,187	-	-	1,066,071	1,031,421	181,013	194,227	17,242,563	11,619,634	907,049	1,043,384	39,602,481	37,272,298

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	20,774,560	21,657,731	296,775	360,498	-	-	2,890,338	7,177,426	158,400	52,121	44,101,410	63,701,977	934,188	704,677	69,155,671	93,654,430
Less:																
Recoveries	3,901,431	3,451,488	-	-	-	-	126,945	112,263	28,651	4,970	-	-	2,984	6,687	4,060,011	3,575,408
Local reinsurance share	25,374	42,850	-	-	-	-	274,896	303,500	-	-	-	-	15,076	30,817	315,346	377,167
Foreign reinsurance share	30,084	2,689	163,721	243,529	-	-	2,063,431	6,274,730	78,067	5,521	28,501,236	35,461,758	636,398	326,277	31,472,937	42,314,504
Net Paid Claims	16,817,671	18,160,704	133,054	116,969	-	-	425,066	486,933	51,682	41,630	15,600,174	28,240,219	279,730	340,896	33,307,377	47,387,351
Add:																
Outstanding Claims Reserve at year end																
Reported	15,932,658	15,346,137	105,763	279,437	-	-	1,915,364	2,643,446	394,163	328,361	2,978,028	4,731,485	2,728,852	1,759,884	24,054,828	25,088,750
Unreported	2,694,200	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,376,865	4,513,125	170,000	170,000	5,491,065	7,533,125
Less:																
Reinsurance share from reported claims	861,749	1,188,029	74,721	164,697	-	-	1,640,935	2,228,545	125,687	163,780	2,117,675	2,867,547	2,393,290	1,360,744	7,214,057	7,973,342
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	1,544,825	3,006,288	-	-	1,544,825	3,006,288
Recoveries	2,009,188	1,234,462	-	-	-	-	-	-	-	-	-	-	-	-	2,009,188	1,234,462
Net Outstanding Claims Reserve at year end	15,755,921	15,523,646	51,042	134,740	-	-	474,429	614,901	298,476	194,581	1,692,393	3,370,775	505,562	569,140	18,777,823	20,407,783
Less:																
Net Outstanding Claims Reserve at the beginning of the year																
Reported	15,346,137	13,634,307	279,437	161,363	-	-	2,643,446	9,716,371	328,361	227,533	4,731,485	8,580,203	1,759,884	1,995,896	25,088,750	34,315,673
Unreported	2,600,000	3,000,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,513,125	4,707,987	170,000	170,000	7,533,125	8,127,987
Less:																
Reinsurance share from reported	1,188,029	958,800	164,697	111,573	-	-	2,228,545	9,168,983	163,780	109,820	3,006,288	6,510,537	1,360,744	1,553,524	8,112,083	18,413,237
Reinsurance share from IBNR	-	-	-	-	-	-	-	-	-	-	2,867,547	3,572,354	-	-	2,867,547	3,572,354
Recoveries	1,234,462	883,236	-	-	-	-	-	-	-	-	-	-	-	-	1,234,462	883,236
Net Outstanding Claims Reserve at the beginning of the year	15,523,646	14,792,271	134,740	69,790	-	-	614,901	747,388	194,581	147,713	3,370,775	3,205,299	569,140	612,372	20,407,783	19,574,833
Net Claims Cost	17,049,946	18,892,079	49,356	181,919	-	-	284,594	354,446	155,577	88,498	13,921,792	28,405,695	216,152	297,664	31,677,417	48,220,301

The attached notes 1 to 39 form part of these financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE YEAR ENDED 31 DECEMBER 2018

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from																
written premium	19,918,750	23,059,445	287,035	324,187	-	-	1,066,071	1,031,421	181,013	194,227	17,242,563	11,619,634	907,049	1,043,384	39,602,481	37,272,298
Less:																
Net claims cost	17,049,946	18,892,079	49,356	181,919	-	-	284,594	354,446	155,577	88,498	13,921,792	28,405,695	216,152	297,664	31,677,417	48,220,301
	2,868,804	4,167,366	237,679	142,268	-	-	781,477	676,975	25,436	105,729	3,320,771	(16,786,061)	690,897	745,720	7,925,064	(10,948,003)
Add:																
Commissions received	57,731	101,810	173,467	286,977	5,622	1,122	1,178,984	1,074,654	98,572	150,077	4,181,929	5,710,138	1,003,915	876,844	6,700,220	8,201,622
Insurance policies issuance fees	532,535	779,275	41,342	46,090	1,283	1,089	576,248	266,745	19,663	22,693	2,705,341	2,767,279	209,135	147,461	4,085,547	4,030,632
Total revenue	3,459,070	5,048,451	452,488	475,335	6,905	2,211	2,536,709	2,018,374	143,671	278,499	10,208,041	(8,308,644)	1,903,947	1,770,025	18,710,831	1,284,251
Less:																
Commissions paid	749,537	875,893	53,664	11,948	-	-	217,620	196,009	14,142	20,632	897,573	902,351	274,662	248,915	2,207,198	2,255,748
Excess of loss premium	249,904	214,865	67,780	88,582	-	-	366,201	359,685	-	-	-	-	115,924	174,783	799,809	837,915
Allocated general and																
administrative expenses	2,163,202	2,529,257	112,465	75,314	10,068	1,705	857,267	891,778	89,386	93,986	5,551,354	5,638,546	491,030	490,355	9,274,772	9,720,941
Other expenses	-	-	2,496	3,312	-	-	10,870	10,908	-	-	232,347	235,569	3,858	4,076	249,571	253,865
Total Expenses	3,162,643	3,620,015	236,405	179,156	10,068	1,705	1,451,958	1,458,380	103,528	114,618	6,681,274	6,776,466	885,474	918,129	12,531,350	13,068,469
Underwriting profit (loss)	296,427	1,428,436	216,083	296,179	(3,163)	506	1,084,751	559,994	40,143	163,881	3,526,767	(15,085,110)	1,018,473	851,896	6,179,481	(11,784,218)

(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 several times; most recently during 2015 so that the authorized and paid in capital reached to 21,438,252 JD divided into 21,438,252 shares with a par value of JD 1 each.

The Company is engaged in insurance business against fire, accidents, 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 Marca "licensing services center", Mecca Street, 8th Circle, Abdali and Abdali- Boulevard in Amman, Aqaba branch in Aqaba City and in Irbid branch in Irbid city.

The Company is 90.45% owned by Gulf Insurance Company as of 31 December 2018.

The number of the Company's employees was 332 as of 31 December 2018 (2017: 345).

The financial statements for the year 2018 were approved by the Board of Directors in its meeting No. (1) on 17 February 2019.

(2) ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB) and in accordance with the forms prescribed by the Jordanian Insurance Commission.

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

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

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 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the company to record provision for expected credit losses for all debt instruments measured at amortized cost.

The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

The effect of the change in accounting policy on the items of the financial statements is as follows:

	Before the amendment	Reclassification	After the amendment
	JD	JD	JD
Accumulated losses	(3,393,517)	62,737	(3,330,780)
Financial assets at fair value through profit or loss	7,387,685	(7,387,685)	-
Fair value reserve	-	(62,737)	(62,737)
Financial assets at fair value through other comprehensive income	-	7,387,685	7,387,685
	3,994,168	-	3,994,168

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECLs on accounts receivable and checks under collection. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors and the economic environment.

This standard do not have any material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

This standard do not have any material impact on the Company's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Company's financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into or out of investment property.

The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Company's financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Company's financial statements.

Accounting polices

The following are the major accounting policies applied:

Business Sector

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

Date of Recognition

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

Fair Value

For financial instruments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For financial instruments where there is no active market fair value is normally based on one of the following methods:

- Comparison with the current market value of a highly similar financial instrument.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Option pricing models.

The objective of the valuation method is to show a fair value that reflects market expectations. Where the fair value of an investment cannot be reliably measured, it is stated at cost less any impairment in the value.

<u>(A) Financial assets at amortized cost</u>

Financial assets at amortized cost must be measured if the following conditions are met:

- Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the assets to collect their contractual cash flows.
- The cash flows according to contractual condition for these assets arise in specific dates and only represent payment for the asset amount and for the interest calculated on these assets.

Assets at amortized cost are recorded at cost upon purchase plus acquisition expenses, the premium/ discount (if any) is amortized by using the effective interest rate method records on the interest or for its account. Any provisions resulted from impairment in its value is deducted and any impairment in its value is recorded in the statement of income.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

The standard permits in cases to measure these assets at fair value through statement of income if that eliminates or reduces to a large extent the inconsistency in measurement (sometimes called accounting mismatch) that arise from measurement of assets or liabilities or profit and loss recognition resulted from them in different basis.

(B) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, represents investment in equity instruments and debt instrument for the purpose of trading, or the purpose of holding it is to make gains on short term fluctuations in market prices or trading profit margin.

Financial assets through profit or loss are recorded at fair value upon purchase (the acquisition cost is recorded in the statement of income upon purchase) and re-evaluated at the financial statements date at fair value, the subsequent changes in fair value is recorded in the statement of income during the same period that change occurs including changes in fair value resulted from non- cash translation differences in foreign currency.

The remaining financial assets which do not meet the conditions of the financial assets at amortized cost, measured as financial assets at fair value.

All realized profit and dividend are recorded at statement of income.

(C) Financial assets at fair value through other comprehensive income

Equity investments that are not held for sale in the near future.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of these asset are reclassified from fair value reserve to retained earnings and not through statement of income.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the statement of income.

Impairments in Financial Assets Value

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, the recoverable value is estimated in order to determine impairment loss.

Impairment amounts are determined by the following:

Impairment in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.

Impairment loss is recognized in the income statement. Any recoveries in the future resulting from previously recognized impairment is credited to the income statement.

Cash and Cash equivalents

For cash flow purpose cash and cash equivalents comprise cash on hand and at banks, and bank deposits maturing within three months, less bank overdrafts and restricted funds.

Reinsurance Accounts

Reinsurers shares of written, paid claims, technical reserves, and all other rights and obligations resulting on signed contracts between the Company and reinsures are accounted for based on accrual basis.

Reinsurance

The Company engages within its normal activities in a variety of inward and outward reinsurance operations with other insurance and reinsurance Companies which involves different level of risks. The reinsurance operations include quota share, excess of loss, facultative reinsurance, and other types of reinsurance. These reinsurance treaties does not eliminate the Company's liability towards policy holders, where in the case the reinsurance fails to cover its share of total liability, the Company bears the total loss, therefore the Company provides for the un-recovered amounts. The estimation of amounts that are likely to be recovered from reinsurers is done according to the Company's share of total liability for each claim.

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 contract, the Company has to reduce the present value of the contracts and record the impairment in the statement of income. The impairment is recognized in the following cases only:

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment (except land) are depreciated when its ready for use. Depreciation is computed on a straight-line basis using the following depreciation rates, and the depreciation expense is recorded in the statement of income.

	%
Building	2
Furniture	15
Vehicles	15
Computers	20
Tools and equipment	15
Decoration	15-20

Depreciation expense is calculated when property and equipment are ready for use.

property and equipment under construction are stated at cost less impairment loss.

Assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The impairment loss is recorded in the statement of income.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of income.

Any item of property and equipment derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Pledged financial assets

Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, repledge). A periodic review is performed for those properties as per the applicable accounting policies to evaluate each based on their respective class reaction.

Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets are classified based on either its estimated usual economic lives or indianite useful lives. Intangible assets with finite lives are amortized over the useful economic lives, and is in the income statement while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired and any impairment is taken to the income statement

Internally generated intangible assets are not capitalized and are expensed in the statement of income in the respective accounting period.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight line basis at 20% amortization rate.

Provisions

Provisions are recognized when the Company has an obligation at the date of the financial statements as a result of past events, and the cost to settle the obligation are both probable and measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the financial statements date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flow.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

A- Technical Reserves

Technical reserves are provided for in accordance with the Insurance Commission's instructions, as follows:

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.

2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.

3. Premium deficiency reserve and provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Company these may result from events occurred before the end or the fiscal year and of which have not been updated to the company.

B- Provision for expected credit losses.

The Company has applied the standard's simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on accounts receivable and checks under collection. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors and economic environment.

C- End of service indemnity reserve

The end of service indemnity reserve for employees is calculated based on the Company's policy and in accordance with Jordanian labor law.

The paid amounts as end of service for resigned employees are debited to this account. The Company obligation for the end of serves is recorded in the statement of income.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts.

If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the statement of income.

Income Tax

Income tax represents accrued and deferred tax.

A- Accrued Income Tax

The accrued income tax expense is calculated based on taxable income. The taxable income differs from the actual income in the statement of income because the accounting income contains expenditures and revenues that are not tax deductible in the current year but in the preceding years or the accepted accumulated losses or any other not deductibles for tax purposes.

The taxes are calculated based on enacted tax percentages which are stated by laws and regulation in the Hashemite Kingdom of Jordan.

B- Deferred Tax

Deferred taxes are taxes expected to be paid or recovered as a result of temporary differences between the time value of the assets or liabilities in the financial statements and the value that is calculated on the basis of taxable profit.

Deferred tax is provided using the liability method on temporary differences at the liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to allow all or part of deferred tax asset to be utilized.

Offsetting

Financial assets and financial liabilities are only offsetted and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition

A- Insurance policies
Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements.

Claims expenses are recognized in the statement of income based on the expected claim value to compensate other parties.

B- Dividend and interest revenue
The Dividends revenues are realized when the shareholders have the right to receive the payment once declared by the General Assembly of Shareholders.

Interest revenues are recorded using the accrual basis based on the accrual periods, principle amount and interest rate.

Expenditures recognition

All commissions and other costs related to the new insurance contracts or renewed are recorded in the statement of income during the period it occurred in and all other expenditures are recognized using the accrual basis.

Insurance compensations

Insurance compensations represent paid claims during the year and change in outstanding claims reserve.

Insurance compensations payments during the year even for the current or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of financial statements but not settled yet. Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

Recoverable scraped value

Recoverable scraped value is considered when recording the outstanding claim amount.

General and administrative expenses

General and administrative expenses are distributed to each insurance division separately. Moreover, 80% of the non-distributable general and administrative expenses is allocated to different insurance departments based on the ratio of written premiums of the department to total premiums.

Employee's expenses

The traceable employees' expenses are allocated directly to insurance departments, and 80% of un-allocated employee's expenses are allocated based on earned premiums per department to total premiums.

Insurance policy acquisition cost

Acquisition cost represent the cost incurred by the company for selling or underwriting or issuing new insurance contract, the acquisition cost is recorded in statement of income.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the transactions dates.

Monetary assets and liabilities in foreign currencies are translated into JD at rates of exchange prevailing at the statement of financial position date as issued by Central Bank of Jordan.

Non-financial assets and non-monetary liabilities demimonde in foreign currencies at fair value are translated at the date of the determined fair value.

Any gains or losses are taken to the statement of income.

Translation gains or losses on non-monetary items are recorded as part of change in fair value.

Use of Estimates

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 as follows:

- A provision for expected credit losses is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.
- The financial year is charged with its related income tax in accordance with 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 income.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to insurance commission regulation and filed 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 income.

(3) BANK DEPOSITS

This item represents the following:

	2018		2017
	Deposits matured between 6 months to 1 Year	Total	Total
	JD	JD	JD
Inside Jordan	47,070,424	47,070,424	42,693,311
	47,070,424	47,070,424	42,693,311

The annual interest rate on the deposits in Jordanian Dinar ranged between 4.5% to 6.5% during the year 2018 and between 4% to 5.25% during 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 at 31 December 2018 and 31 December 2017.

Below is the distribution of the Company's deposits:

	2018	2017
	JD	JD
Jordan Kuwait Bank	17,065,542	16,167,622
Capital Bank	2,304,283	2,132,567
Audi Bank	2,244,565	2,139,169
Blom Bank	2,746,616	2,611,537
Etihad Bank	3,086,544	2,942,987
Jordan Commercial Bank	3,514,761	5,275,408
Arab Banking Corporation Bank	3,604,579	3,432,933
Jordan Ahli Bank	3,333,331	4,991,088
Bank of Jordan	1,097,186	3,000,000
Invest Bank	3,723,304	-
Egyptian Arab Land Bank	2,349,713	-
Cairo Amman Bank	2,000,000	-
	47,070,424	42,693,311

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

This item consists of the following:

	Number of shares	2018	2017
		JD	JD
Listed shares:			
Cairo Amman Bank	553,581	-	830,371
Afaq for Energy	1,140,147	-	2,667,944
Afaq for Investment and Real Estate Development	1,541,500	-	2,589,720
Dar Al Dawa Development and Investment	695,000	-	1,299,650
Total financial assets at fair value through profit or loss		-	7,387,685

The Company's management decided during the year to reclassify the financial assets at fair value through profit or loss to financial assets at fair value through other comprehensive income, as the management believes that these financial assets are for strategic purpose and not for trading (note 2).

(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item consists of the following:

	Number of shares	2018	2017
		JD	JD
Listed shares:			
Cairo Amman Bank	553,581	736,263	-
Afaq for Energy	1,140,147	2,154,878	-
Afaq for Investment and Real Estate Development	1,541,500	1,541,500	-
Dar Al Dawa Development and Investment	695,000	618,550	-
Total financial assets at fair value through other comprehensive income		5,051,191	-

(6) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	2018	2017
Inside Jordan -		JD	JD
Unlisted Bonds in financial market			
Arab Real Estate Development Company*	120	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
Bonds listed in financial markets			
Treasury Bond/ the Hashemite kingdom of Jordan**	1330	951,338	952,134
Total financial assets at amortized cost inside Jordan		952,338	953,134

	Number of bonds	2018	2017
Outside Jordan -			
Treasury Bonds/ Kingdom of Bahrain Government***	715	530,272	531,939
Sovereign Bonds/ Kingdom of Bahrain Government****	1,315	988,718	994,935
Net financial assets at amortized cost outside Jordan		1,518,990	1,526,874
Total financial assets at amortized cost		2,471,328	2,480,008

* 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, 2015 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 October 26, 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 31 December 2018.

** Treasury Bonds / the Hashemite kingdom of Jordan are due on 31 January 2027 and bear a 5.75% interest rate and are repayable in equal installment rate and on 31 January and 31 of July until the maturity date or the Bonds.

*** Treasury Bonds / kingdom of Bahrain are due on 12th of October 2028 and bear on interest rate of 7% and are repayable in equal installment on 12th of October and 12th of April until the maturity date or the Bonds.

**** Sovereign Bonds / Kingdom of Bahrain Government are due on the 26th of January 2026 with an interest rate of 7% and paid on two equals installment on the 26th of January and 26th of July, until the maturity date of the Bonds.

(7) CASH AND CASH EQUIVALENTS

This item consists of the following:

	2018	2017
	JD	JD
Cash in hand	22,609	19,176
Cash at banks	2,471, 857	1,223,162
	2,494,466	1,242,338

(8) CHECKS UNDER COLLECTION

This item consists of the following:

	2018	2017
	JD	JD
Checks under collection due within six months	3,895,252	4,412,751
Checks under collection due within more than six months up to one year	408,949	622,475
	4,304,201	5,035,226
Less: Provision for expected credit losses	(52,317)	-
	4,251,884	5,035,226

* Movement of expected credit losses is as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	-	-
Provision for the period	52,317	-
Balance at the end of the year	52,317	-

Due dates of checks under collection extend to 31 December 2019.

(9) ACCOUNTS RECEIVABLE

This item consists of the following:

	2018	2017
	JD	JD
Policyholders *	30,560,159	35,261,120
Brokers receivable	2,116,559	2,147,649
Employees receivable	65,832	97,585
Other receivables	553,112	601,214
	33,295,662	38,107,568
Less: Provision for expected credit losses **	(8,414,378)	(6,940,953)
Net Accounts Receivable	24,881,284	31,166,615

Below is the aging of receivables table:

	Due and undoubtful debts				
	Amount not due yet	1-90 days	91-180 days	181-360 days	Total
	JD	JD	JD	JD	JD
31 December 2018	14,833,127	6,070,766	2,489,559	1,487,832	24,881,284
31 December 2017	20,416,209	5,484,479	3,543,518	1,722,409	31,166,615

* Includes scheduled payment amounted to JD 14,833,127 as at 31 December 2018 (JD 20,416,209 as at 31 December 2017).

** Movement on the provision for expected credit losses consists of the following:

	2018	2017
	JD	JD
Balance at the beginning of the year	6,940,953	5,437,931
Additions	1,473,425	1,350,000
Transferred from provision for doubtful debts on reinsurance receivable	-	153,022
Balance at the end of the year	8,414,378	6,940,953

(10) REINSURANCE RECEIVABLE

This item consists of the following:

	2018	2017
	JD	JD
Local insurance companies	1,488,033	1,613,968
Foreign reinsurance companies	306,959	887,360
	1,794,992	2,501,328
Less: Provision for doubtful debts **	(472,622)	(384,047)
Net reinsurance receivables*	1,322,370	2,117,281

* Below is the ageing of the reinsurance receivables table:

	Due and undoubtful debts			
	1-90 day	91-180 days	181-360 days	Total
	JD	JD	JD	JD
31 December 2018	604,427	525,170	192,773	1,322,370
31 December 2017	949,152	401,960	766,169	2,117,281

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

	2018	2017
	JD	JD
Balance at the beginning of the year	384,047	537,069
Additions	88,575	-
Transferred to provision for expected credit losses for accounts receivable	-	(153,022)
Balance at end of the year	472,622	384,047

(11) INCOME TAX

The movement on the income tax provision is as follows:

	2018	2017
	JD	JD
Balance at beginning of the year	-	76,545
Provision for the year	64,830	-
Income tax paid	(64,830)	(122,499)
Prior years income tax	-	45,954
Balance at the end of the year	-	-

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

	2018	2017
	JD	JD
Income tax for the year	1,142,047	-
Deferred tax assets	(173,825)	(3,497,296)
Deferred tax liabilities	-	55,451
Prior years income tax	64,830	45,954
	1,033,052	(3,395,891)

A summary of the reconciliation between accounting profit (loss) and taxable profit is as follows:

	2018	2017
	JD	JD
Accounting profit (Loss)	4,245,952	(14,478,875)
Non-taxable profit	(1,670,413)	(550,971)
Non-deductible expenses	2,182,989	2,482,331
Taxable profit (Loss)	4,758,528	(12,547,515)
Effective income tax rate	21%	-
Statutory income tax rate	24%	24%

Final settlement for income tax was reached until 31 December 2016.

Income tax return was submitted for the year 2017 and it is still not reviewed by Income and Sales Tax Department until the date of financial statements.

Final settlement for sales tax was reached until 31 December 2016.

According to the income tax law a tax rate of 24% was used to calculate the income tax as of 31 December 2018.

Deferred tax assets and liabilities

This item consists of the following:

	2018					2017
	Beginning Balance	Additions	Released Amounts	Ending Balance	Deferred Tax	Deferred Tax
A. Deferred tax asset	JD	JD	JD	JD	JD	JD
Provision for expected credit losses for accounts receivable and reinsurance receivable	7,325,000	1,562,000	-	8,887,000	2,132,880	1,758,000
Provision for expected credit losses for checks under collection	-	52,317	-	52,317	12,556	-
Impairment loss on financial asset	1,199,000	-	-	1,199,000	287,760	287,760
Provision for incurred but not reported claim, net	4,903,760	-	957,520	3,946,240	947,098	1,176,903
Provision for end of service indemnity	1,016,768	404,010	336,536	1,084,242	260,218	244,025
Premium deficiency reserve, net	884,000	-	-	884,000	212,160	212,160
Loss for the year	12,547,515	-	4,758,528	7,788,987	1,869,358	3,011,404
	27,876,043	2,018,327	6,052,584	23,841,786	5,722,030	6,690,252
B. Deferred tax liabilities						
Unrealized gain from financial assets at fair value through profit or loss	231,045	-	-	231,045	55,451	55,451
	231,045	-	-	231,045	55,451	55,451

* Movement on deferred tax asset and deferred tax liabilities consists of the following:

	Assets		Liabilities	
	2018	2017	2018	2017
	JD	JD	JD	JD
Balance at the beginning of the year	6,690,252	3,192,956	55,451	-
(Deductions) additions	(968,222)	3,497,296	-	55,451
Balance at the end of the year	5,722,030	6,690,252	55,451	55,451

(12) PROPERTY AND EQUIPMENT

This item consists of the following:

	Land	Building	Computers	Decorations	Equipment , tools and furniture	Vehicles	Total
2018-	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance at the beginning of the year	1,545,000	2,575,000	918,590	1,574,656	1,350,454	484,300	8,448,000
Additions	-	-	90,930	48,924	81,314	-	221,168
Disposals	-	-	(24,008)	(119,828)	(29,749)	(96,000)	(269,585)
Balance at the end of the year	1,545,000	2,575,000	985,512	1,503,752	1,402,019	388,300	8,399,583
Accumulated depreciation:							
Balance at the beginning of the year	-	377,667	741,088	1,004,058	935,026	319,142	3,376,981
Depreciation for the year	-	51,500	84,518	128,552	117,001	53,520	435,091
Disposals	-	-	(23,545)	(80,388)	(20,950)	(95,999)	(220,882)
Balance at the end of the year	-	429,167	802,061	1,052,222	1,031,077	276,663	3,591,190
Net book value at the end of the year	1,545,000	2,145,833	183,451	451,530	370,942	111,637	4,808,393
2017-							
Cost:							
Balance at the beginning of the year	1,545,000	2,575,000	910,808	1,269,605	1,317,460	512,300	8,130,173
Depreciation for the year	-	-	28,633	357,520	93,320	-	479,473
Disposals	-	-	(20,851)	(52,469)	(60,326)	(28,000)	(161,646)
Balance at the end of the year	1,545,000	2,575,000	918,590	1,574,656	1,350,454	484,300	8,448,000
Accumulated depreciation:							
Balance at the beginning of the year	-	326,167	668,891	928,536	825,124	278,723	3,027,441
Additions	-	51,500	93,020	117,132	144,431	64,219	470,302
Disposals	-	-	(20,823)	(41,610)	(34,529)	(23,800)	(120,762)
Balance at the end of the year	-	377,667	741,088	1,004,058	935,026	319,142	3,376,981
Net book value at the end of the year	1,545,000	2,197,333	177,502	570,598	415,428	165,158	5,071,019

Property and equipment include fully depreciated items amounting to JD 2,068,495 JD as at 31 December 2018 (2,117,343 as at 31 December 2017), which are still being used up to the date of the financial statements.

(13) INTANGIBLE ASSETS

	Programs and computers systems	
	2018	2017
	JD	JD
Balance at the beginning of the year	797,415	493,224
Additions	83,851	527,333
Installments on purchases of intangible assets	7,200	-
Amortization	(243,136)	(223,142)
Disposals	(110)	-
Balance at the end of the year	645,220	797,415

(14) OTHER ASSETS

This item consists of the following:

	2018	2017
	JD	JD
Income tax paid on interest income	168,063	64,257
Accrued revenues	680,750	496,438
Prepaid expenses	217,250	234,075
Refundable deposits	317,813	479,113
Medical tools for claims	44,043	44,043
	1,427,919	1,317,926

(15) ACCOUNTS PAYABLES

This item consists of the following:

	2018	2017
	JD	JD
Agents' payable	682,170	1,043,245
Employees payable	13,130	17,398
Garages payable and vehicles parts	441,288	1,221,251
Medical network payable	2,236,406	5,689,563
Trade and companies payable	2,813,519	4,502,708
	6,186,513	12,474,165

(16) REINSURANCE PAYABLE

This item consists of the following:

	2018	2017
	JD	JD
Local insurance companies	95,783	223,062
Foreign reinsurance companies	22,157,510	20,417,442
	22,253,293	20,640,504

(17) OTHER PROVISIONS

This item consists of the following:

	2018	2017
	JD	JD
Provision for end of service indemnity	1,084,242	1,016,768
	1,084,242	1,016,768

The following schedule represents the movement on other provisions:

	Beginning balance	Additions	Amounts paid During the year	Ending balance
	JD	JD	JD	JD
Provision for end of service indemnity	1,016,768	404,010	(336,536)	1,084,242
Total	1,016,768	404,010	(336,536)	1,084,242

The method of calculating the provision for end of services indemnity is as follows:

- 25% from monthly salary that is subject to the calculation for each year of service after nine years, this calculation is according to last salary paid to the employee.
- 50% from monthly salary that is subject to the calculation for each year of service after twelve years, this calculation is according to last salary paid to the employee.
- 75% from monthly salary that is subject to the calculation for each year of service after fifteen years, this calculation is according to last salary paid to the employee.
- 100% from monthly salary that is subject to the calculation for each year of service after eighteen years, this calculation is according to last salary paid to the employee.

Noting that all employees who were hired on or after 29 October 2018 are not subject to this benefit.

(18) OTHER LIABILITIES

This item consists of the following:

	2018	2017
	JD	JD
Deferred revenues	14,654	-
Due to shareholders – subscription refunds	24,902	24,902
Stamps withholdings	95,150	104,346
Sales tax withholdings	44,257	35,891
Income tax withholdings	48,755	50,352
	227,718	215,491

(19) AUTHORIZED AND 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 at 31 December 2018 (JD 21,438,252 shares of JD 1 each as at 31 December 2017).

(20) LEGAL RESERVES

Statutory reserve

This amount represents appropriations at 10% of net income before income tax during this year and prior years. This reserve is not available for distribution to shareholders.

(21) ACCUMULATED LOSSES

The item consists of the following:

	2018	2017
	JD	JD
Balances at the beginning of the year	(3,393,517)	7,689,467
IFRS (9) implementation effect	62,737	-
Profit (loss) for the year	3,212,900	(11,082,984)
Less:		
Deducted reserves	(424,595)	-
Balance at the end of the year	(542,475)	(3,393,517)

(22) INTEREST INCOME

This item consists of the following:

	2018	2017
	JD	JD
Interest on bank deposits	2,260,438	1,394,063
Interest from financial assets at amortized cost	146,289	131,504
Total	2,406,727	1,525,567
Amount transferred to underwriting accounts	-	-
Amount transferred to statement of income	2,406,727	1,525,567

(23) NET PROFIT FROM FINANCIAL ASSETS AND INVESTMENTS

This item consists of the following:

	2018	2017
	JD	JD
Cash dividends received (financial assets at fair value through Other comprehensive income/ profit or loss)	302,503	432,317
Net change in fair value of financial assets at fair value through profit or loss	-	(231,045)
Total	302,503	201,272
Amount transferred to underwriting accounts	-	-
Amount transferred to statement of income	302,503	201,272

(24) EMPLOYEE EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Salaries and bonuses	6,250,941	6,545,040
End of service indemnity	404,010	269,159
Social security contribution	713,622	687,341
Medical expenses	385,122	354,380
Travel and transportation	129,390	146,657
Training and employees development	25,770	15,805
Total	7,908,855	8,018,382
Allocated employee expenses to the underwriting account	6,327,084	6,476,887
Unallocated employee expense to the underwriting account	1,581,771	1,541,495

(25) GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2018	2017
	JD	JD
Rent	373,051	388,296
Stationery and printing	200,922	306,884
Advertisements	196,527	412,515
Bank interest and commission expenses	103,241	82,132
Water, electricity and heating	165,150	146,672
Maintenance	153,336	272,214
Postage telecommunications and stamps	340,774	357,749
Building management fees	59,533	69,045
Hospitality	52,897	63,937
Legal fees and expenses	341,352	204,854
Subscriptions	61,344	47,092
Tenders expenses	227,213	165,827
Insurance commission fees	640,584	712,613
Government fees and other fees	109,017	71,604
Donations	8,020	7,530
Insurance expenses	36,960	51,473
Cleaning expense	43,424	47,973
Professional fees	25,000	23,000
Board members bonuses and transportation fees	100,400	100,400
Vehicles expenses	27,563	45,841
Collections fees	105,605	106,881
Technical consulting fees	80,222	77,984
Orange card fees	3,000	750
Board members committee fees	7,600	4,400
Other expenses	221,874	287,402
Total	3,684,609	4,055,068
Allocated general & administrative expenses to the underwriting accounts	2,947,688	3,244,054
Unallocated general and administrative expenses to the underwriting accounts	736,921	811,014

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

The profit (loss) per share is calculated by dividing the profit (loss) for the year by the weighted average number of shares during the year as the following:

	2018	2017
Profit (loss) for the year (Dinars)	3,212,900	(11,082,984)
Weighted average number of shares (Share)	21,438,252	21,438,252
	JD/Fils	JD/Fils
Basic and diluted earnings (loss) per share for the year	0/150	(0/517)

(27) CASH AND CASH EQUIVALENTS

The cash and cash equivalents that appear in the statement of cash flows that appear in the statement of financial position represent the following:

	2018	2017
	JD	JD
Cash on hand and at banks	2,494,466	1,242,338
Add: bank deposits	47,070,424	42,693,311
Less: deposits at banks mature within the period of more than three months	(46,845,424)	(42,468,311)
Less: deposits pledged to the favor of the general manager of the insurance regulatory commission (note 3)	(225,000)	(225,000)
Net Cash and cash equivalent	2,494,466	1,242,338

(28) SUBORDINATED LOAN

On November 15, 2017, the Company has borrowed from Gulf Insurance Group an amount of USD 16,361,071 which is equivalent to JD 11,600,000 as a subordinated loan to raise the company solvency margin in line with the insurance administration instruction No.3 of 2002 and the decisions issues there under. This loan bear no interest payable and no maturity or repayment schedule. During the subsequent period on 14 January 2019, the Company paid an amount of USD (3,667,137) which is equivalent to JD 2,600,000.

(29) 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 at 31 December 2018.

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

	2018			2017
	Jordan Kuwait Bank	Top Executive Management	Total	Total
	JD	JD	JD	JD
Statement of Financial Position Items:				
Time deposits	17,065,542	-	17,065,542	16,167,622
Overdraft account - credit balance	1,781,049	-	1,781,049	764,625
Current account	212,190	-	212,190	306,890
Deposits on letters of guarantee	299,749	-	299,749	461,314
Accounts receivable/ payables	(17,496)	(2,199)	(19,695)	30,463
Off-statement of Financial Position Items:				
Letters of guarantee	2,997,490	-	2,997,490	4,613,148
Statement of comprehensive income Items:				
Bank interest income	740,803	-	740,803	168,761
Written premium	2,139,987	14,385	2,154,372	1,810,842
Bank expenses and commissions	197,114	-	197,114	114,016
Salaries	-	970,402	970,402	856,411
Bonuses	-	6,150	6,150	222,977
Transportation expenses for members of the Board of Directors	-	50,400	50,400	50,400
Bonus expenses for members of the Board of Directors	-	50,400	50,400	50,000
Bonus of Directors committees bonus	-	7,600	7,600	4,400

During 2011 it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurance accounts through Gulf Insurance Company, where to company's credit balance amounted to JD 27,834 at the end of the year 2018.

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

	2018	2017
	JD	JD
Salaries and bonuses	976,552	1,079,388
	976,552	1,079,388

(30) FAIR VALUE OF FINANCIAL INSTRUMENTS

There are no significant differences between the book value and fair value of the financial assets and financial liabilities at the end of the year 2018 and 2017.

(31) RISK MANAGEMENT

First: Explanatory Disclosures:

Risk management is the evaluation of the risk process of measurement and development of strategies to manage it. These strategies include the transfer of risks to another party, avoiding and mitigating their adverse effect on the Company, in addition to accepting the related consequences partially or wholly. Risk management can be divided into four sections:

First: Material risks such as (natural catastrophes, fires, accidents, and other external risks not relating to the Company's operations).

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

Third: Risks arising from financial matters such as interest rate, credit risk, foreign currencies risks, and market risk.

Fourth: Intangible risks that are difficult to identify such as knowledge risk that occurs upon the application of inadequate knowledge by employees. Moreover, relationships risks occur when there is inefficient cooperation with clients. All of these risks reduce the employee's productivity in knowledge and lessen the effectiveness of expenditures, profit, service, quality, reputation, and the quality of gains.

Management of risks adopted by the Company relies on prioritizing so that risks with huge losses and high probability are treated first while risks with lower losses and lesser probability are treated later on.

Risk Management Policy

First: Planning and Preparation

The work scope plan and criteria for adopting and evaluating risks at the Company have been set through creating the Institutional Development and Quality Department that monitors this performance.

Second: Identification of Risks
Risks represent events that create problems upon their occurrence. Therefore, these problems should be identified at their origin. When the problem or its origin is identified, the related accident may lead to new risks that can be treated prior to their occurrence. There are many ways to identify risks such as identification based on objectives as each of the Company's sections has certain objectives it endeavors to achieve. Any event that threatens the achievement of these objectives is considered a risk. Based on this, risks are studied and pursued. Moreover, there is a type of risk identification based on a comprehensive classification of all probable sources of risk. Still another type of risk identification is common risks especially for similar companies.

Third: Risk Treatment Method

The Company deals with probable risks by means of the following methods:

- Transfer: This represents the process of transferring the risk to another party through contracts or financial protection.

- Avoidance: This is an active process to ward off risk through avoiding works that lead to risks. Avoidance is the best preventive method against risk. This may deprive the Company from conducting certain activities profitable for the Company.

- Reduction: This is the process of decreasing the loss arising from the occurrence of risk.

- Acceptance: There should be a policy to accept unavoidable risks as acceptance of small risks is an effective strategy.

Fourth: Plan
An easy and clear plan has been set to deal with risks through a pricing policy that relies on historical statistics to avoid the occurrence of risks from any insurance branch so that the premium covers the probable cumulative risks.

Fifth: Execution
The Company's technical departments execute the plan so that the risk effects are mitigated. Moreover, all avoidable risks are avoided.

Sixth: Plan Review and Evaluation
The Risks Department follows up on the Company's development and constantly and continuously develops and upgrades the plan in effect.

Risk Management Arrangements

Determinants
Top priority is given to the Risks Department. This affects the Company's productivity and profitability. Moreover, the Risks Department distinguishes between actual risk and doubt. Priorities are given to risks with huge losses and high probability so as to avoid them.

Risks Management Responsibilities

- Upgrading the risk data base constantly and continuously.
- Predicting any probable risk.
- Cooperating with executive management to treat risks and mitigate riskiness.
- Preparing plans and risk reports continuously in order to avoid the probable risk or reduce the probability of its occurrence.

Risk Treatment Strategy

- Determining the Company's objectives.
- Clarifying strategies for the Company's objectives.
- Distinguishing risk.
- Assessing risk.
- Identifying methods to avoid and treat risk.

Second: Quantitative Disclosures:

A - Insurance Risk

1. Insurance Risk

Risks of any insurance policy represent the probability of occurrence of the insured accident and the uncertainty of the related claim amount due to the nature of the insurance policy whereby the risks are volatile and unexpected in connection with insurance policies of a certain insurance class. As regards the application of the probability theory on pricing and the reserve, the primary risks facing the Company are that incurred claims and the related payments may exceed the book value of the insurance obligations. This may happen if the probability and risk of claims are greater than expected. As insurance accidents are unstable and vary from one year to another, estimates may differ from the related statistics.

Studies have shown that the more similar the insurance policies are, the nearer the expectations are to the actual loss. Moreover, diversifying the types of insurance risks covered decreases the probability of the overall insurance loss.

The Company practices all types of insurance except for life insurance through its main branch located in Jabal Amman, 3rd circle in Amman and its branches in Marka "licensing services center",8th circle, Al Abdali and Abdali- Boulevard in Amman, Aqaba branch in Aqaba city and Irbid Branch in Irbid city.

Through its personnel consisting of professionals and administrative staff, the Company provides the best service to its clients. Moreover, a plan has been set to protect it against probable risks whether natural or unnatural. This requires that the necessary provisions as well as the necessary technical equipment be made available to maintain the Company's continuity and viability. Hence, the necessity to set the risk management strategy.

Steps in Determining Assumptions

These steps rely on the internal data derived from the quarterly claims reports and the sorting of the executed insurance policies as of the statement of financial position date to identify the outstanding insurance policies. The effective results for the year's accidents are selected for each type of insurance based on the evaluation of the most appropriate mechanism for observing the historical development.

2. Claims Development

The schedules below show the actual claims (based on management's estimates at year- end) compared to the expectations for the past four years based on the year in which the vehicles insurance claims were reported and on the year in which underwriting of the other general insurance types was executed as follows:

Gross - Motor Insurance:

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	133,668,160	18,086,116	19,577,538	23,173,361	18,875,099	
After one year	136,753,187	19,963,606	21,809,649	22,037,994	-	
After two years	136,073,484	20,288,434	22,308,810	-	-	
After three years	133,209,010	20,783,195	-	-	-	
After four years	133,857,339	-	-	-	-	
Present expectations for the accumulated claims	133,857,339	20,783,195	22,308,810	22,037,994	18,875,099	217,862,437
Accumulated payments	131,584,967	19,203,666	20,585,730	19,197,690	10,672,714	201,244,767
Liability as in the statement of financial position	2,272,372	1,579,529	1,723,080	2,840,304	8,202,385	16,617,670
Reported	2,272,372	1,579,529	1,723,080	2,840,304	5,508,185	13,923,470
Unreported	-	-	-	-	2,694,200	2,694,200
(Deficit) surplus in the preliminary estimate for reserve	(189,179)	(2,697,079)	(2,731,272)	1,135,367	-	(4,482,163)

Gross – Marine

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	2,637,490	163,518	147,070	445,585	85,007	
After one year	3,122,859	244,351	222,838	511,666	-	
After two years	3,152,540	244,772	220,938	-	-	
After three years	3,167,207	237,514	-	-	-	
After four years	3,156,121	-	-	-	-	
Present expectation for the accumulated claims	3,156,121	237,514	220,938	511,666	85,007	4,211,246
Accumulated payments	3,093,250	231,527	219,488	471,641	69,577	4,085,483
Liability as in the statement of financial position:	62,871	5,987	1,450	40,025	15,430	125,763
Reported	62,871	5,987	1,450	40,025	(4,570)	105,763
Unreported	-	-	-	-	20,000	20,000
Deficit in the preliminary estimate for reserve	(518,631)	(73,996)	(73,868)	(66,081)	-	(732,576)

Gross - fire and property:

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	22,553,230	1,131,955	1,076,672	501,439	997,095	
After one year	22,255,361	10,430,908	2,040,451	1,428,785	-	
After two years	22,031,301	9,078,299	2,008,732	-	-	
After three years	21,916,793	9,123,997	-	-	-	
After Four years	22,242,674	-	-	-	-	
Present expectation for the accumulated claims	22,242,674	9,123,997	2,008,732	1,428,785	997,095	35,801,283
Accumulated payments	20,860,441	9,094,824	1,942,230	1,141,599	646,825	33,685,919
Liability as in the statement of financial position	1,382,233	29,173	66,502	287,186	350,270	2,115,364
Reported	1,382,233	29,173	66,502	287,186	150,270	1,915,364
Unreported	-	-	-	-	200,000	200,000
Surplus (Deficit) in the preliminary estimate for reserve	310,556	(7,992,042)	(932,060)	(927,346)	-	(9,540,892)

Gross – Liability

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	750,415	43,750	224,142	134,599	242,892	
After one year	873,218	97,696	234,328	127,574	-	
After two years	887,363	97,696	234,328	-	-	
After three years	906,008	97,696	-	-	-	
After four years	913,865	-	-	-	-	
Present expectation for the accumulated claims	913,865	97,696	234,328	127,574	242,892	1,616,355
Accumulated payments	735,846	76,741	188,034	80,885	110,686	1,192,192
Liability as in the statement of financial position:	178,019	20,955	46,294	46,689	132,206	424,163
Reported	178,019	20,955	46,294	46,689	102,206	394,163
Unreported	-	-	-	-	30,000	30,000
(Deficit) surplus in the preliminary estimate for reserve	(163,450)	(53,946)	(10,186)	7,025	-	(220,557)

Gross – Medical

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the end of the year	-	-	-	-	5,354,893	
After one year	-	-	-	-	-	
After two years	-	-	-	-	-	
After three years	-	-	-	-	-	
After four years	-	-	-	-	-	
Present expectation for the accumulated claims	-	-	-	-	5,354,893	5,354,893
Accumulated payments	-	-	-	-	-	-
Liability as in the statement of financial position:	-	-	-	-	5,354,893	5,354,893
Reported	-	-	-	-	2,978,028	2,978,028
Unreported	-	-	-	-	2,376,865	2,376,865
Surplus (deficit) in the preliminary estimate for reserve	-	-	-	-	-	-

Gross – Others

The accident year	2014 and before	2015	2016	2017	2018	Total
	JD	JD	JD	JD	JD	JD
At the ended of the year	12,722,204	253,976	394,475	347,217	898,139	
After one year	13,762,883	502,229	460,570	944,522	-	
After two years	13,695,387	487,649	896,400	-	-	
After three years	13,854,419	566,619	-	-	-	
After four years	13,646,139	-	-	-	-	
Present expectation for the accumulated claims	13,646,139	566,619	896,400	944,522	898,139	16,951,819
Accumulated payments	12,336,210	294,001	423,417	720,103	279,236	14,052,967
Liability as in the statement of financial position	1,309,929	272,618	472,983	224,419	618,903	2,898,852
Reported	1,309,929	272,618	472,983	224,419	448,903	2,728,852
Unreported	-	-	-	-	170,000	170,000
Deficit in the preliminary estimate for reserve	(923,935)	(312,643)	(501,925)	(597,305)	-	(2,335,808)

3. INSURANCE RISK CONCENTRATIONS

Below are schedules presenting risk concentration based on insurance types and the geographical distribution:

Technical reserves are concentrated based on insurance type as follows:

	2018		2017	
	Net	Gross	Net	Gross
Insurance types	JD	JD	JD	JD
Motor	24,371,304	25,777,733	25,198,293	27,152,676
Marine	118,093	313,783	214,826	470,852
Aviation	-	26,378	-	6,990
Liability	363,988	818,240	260,450	723,286
Fire and properties	876,831	7,557,757	1,092,084	8,213,483
Medical	8,019,767	21,773,178	9,336,519	26,821,117
Others	749,933	4,770,853	825,513	3,467,921
Total	34,499,916	61,037,922	36,927,685	66,856,325

The Company covers all its activities by proportional and non- proportional reinsurance treaties, facultative and excess of loss treaties, in addition to treaties that cover the Company's retention under the name of catastrophe risk treaties.

Assets, liabilities and off statement of financial position items are concentrated based on geographical distribution and sectors as follows:

	2018			2017		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
A. According to geographical area:						
Inside Jordan	98,020,560	44,410,460	2,997,490	100,979,596	53,759,384	4,613,148
Other Middle East Countries	1,921,538	7,198,621	-	4,389,650	8,485,219	-
Europe	61,646	13,275,963	-	498,801	9,273,109	-
Asia *	135,947	51,136	-	110,391	91,654	-
Africa *	6,818	6,137	-	20,638	61,924	-
Total	100,146,509	64,942,317	2,997,490	105,999,076	71,671,290	4,613,148

* Excluding Middle East countries.

	2018			2017		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
B. According to Sector:						
Public sector	4,659,324	11,010,193	2,388,892	13,915,164	12,148,614	2,767,800
Private Sector:						
Companies and corporations	91,781,764	53,659,143	608,598	88,351,542	57,028,791	1,845,348
Individuals	3,705,421	272,981	-	3,732,370	2,493,885	-
Total	100,146,509	64,942,317	2,997,490	105,999,076	71,671,290	4,613,148

The concentration of the off-statement of financial position items, assets and liabilities related to reinsurers according to the geographical distribution is as follows:

	2018			2017		
	Assets	Liabilities	Off-Statement of Financial Position	Assets	Liabilities	Off-Statement of Financial Position
	JD	JD	JD	JD	JD	JD
C. According to geographical area:						
Inside Jordan	-	61,037,622	-	-	66,856,325	-
Other Middle East Countries	-	-	-	-	-	-
Europe	23,114,944	-	-	24,596,678	-	-
Asia *	11,384,972	-	-	12,331,007	-	-
Africa *	-	-	-	-	-	-
Total	34,499,916	61,037,922	-	36,927,685	66,856,325	-

* Excluding Middle East countries.

INSURANCE RISK SENSITIVITY

The table below shows the effect of the possible reasonable change in underwriting premium rates on the statement of income and equity keeping all other affecting variables fixed.

Insurance activities	Change	Effect on the underwriting premium	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motor	10	1,987,931	1,991,875	1,513,825
Marine	10	103,353	28,704	21,815
Aviation	10	9,252	-	-
Fire and property	10	787,808	106,607	81,021
Liability	10	82,144	18,101	13,757
Medical	10	5,101,563	1,724,256	1,310,434
Others	10	451,244	90,705	68,936
		8,523,295	3,960,248	3,009,788

* Net after deducting income tax effect.

If there is a negative change the effect equals the change above with changing the sign.

The table below shows the effect of the possible reasonable change in claims cost on the statement of income and equity keeping all other affecting valuables fixed.

Insurance activities	Change	Effect on the paid claims	Effect on the current year pre-Tax profit	Effect on equity*
	%	JD	JD	JD
Motors	10	2,077,456	1,704,995	1,295,796
Marine	10	29,678	4,936	3,751
Fire and property	10	289,034	28,459	21,629
Liability	10	15,840	15,558	11,824
Medical	10	4,410,141	1,392,179	1,058,056
Others	10	93,419	21,615	16,428
		6,915,568	3,167,742	2,407,484

* Net after deducting income tax effect.

If there is a negative change the effect equals the change above with changing the sign.

B- FINANCIAL RISKS

The risks that the company face revolve around the possibility of insufficient return on investments to fund the obligations arising from insurance contracts and investments.

The Company follows financial policies to manage several risks within a specified strategy. The Company's management controls the risk and determines the most suitable strategic risk distribution procedures for each of the financial assets and liabilities. This risk includes interest rate risk, credit risk, foreign currency risk and market risk.

The Company follows a hedging policy for each of its assets and liabilities when required, the hedging policy is related to future expected risks.

1- Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices such as interest rates, currency prices and stock prices. These risks are monitored according to specific policies and procedures and through specialized committees and business units. Market risk and its related controls are measured through sensitivity analysis.

2- Interest Rate Risk

Interest rate risks relate to long term bank deposits, development bonds, and other deposits. Moreover, the Company always aims to mitigate these risks through monitoring the changes in interest rates in the market. Interest rate risks relate to fixed deposits at banks and overdraft accounts, as of 31 December 2018. The interest rate on bank deposits ranged from 4.5% to 6.5% annually on Jordanian Dinar deposits. The interest rate on overdraft accounts ranged from 5% annually. The company did not use overdraft facilities which amount up to five hundred thousand dinars during the past three years and plans to not use it during the coming period foreseen.

The following table illustrates the sensitivity of exposure to interest rate at the date of the financial statements. Moreover, the analysis below has been prepared assuming that the amount of deposits outstanding at the statement of financial position date was outstanding for the whole financial year. An increase / decrease of 0.5% is used representing the Company's assessment of the probable and acceptable change of interest rates.

	+ 0.5%		- 0.5%	
	For the Year Ended 31 December			
	2018	2017	2018	2017
	JD	JD	JD	JD
Increase (decrease) in profit (loss) for the year	235,352	213,467	(235,352)	(213,467)
Shareholders' equity	235,352	213,467	(235,352)	(213,467)

The table below shows the sensitivity of exposure to interest rates on the sovereign bonds of The Kingdome of Bahrain Government and the Government of the Hashemite Kingdom of Jordan. Moreover, the analysis below has been prepared assuming that the amount of bonds outstanding of financial position date was outstanding for the whole financial year. An increase/ decrease of 0.5% is used representing the Company's assessment of the probable and acceptable change of interest rates.

	+ 0.5%		- 0.5%	
	For the Year Ended 31 December			
	2018	2017	2018	2017
	JD	JD	JD	JD
Increase (decrease) in profit (loss) for the year	12,352	12,395	(12,352)	(12,395)
Shareholders' equity	12,352	12,395	(12,352)	(12,395)

3- Foreign Currencies Risks

Foreign currencies risks are the risks resulting from the fluctuations in the value of the financial instruments due to the changes in the exchange rates of foreign currencies. Most of the Company's assets and liabilities are funded in Jordanian Dinar or US Dollar. The exchange rate of the US Dollar to Jordanian Dinar is fixed at 0.709 and the probability of this risk is very minimal. Consequently, the Company does not hedge for the foreign currencies risk due to the following reasons:

- The US Dollar exchange rate is fixed within a range from 0.708 to 0.710 selling and buying by the Central Bank of Jordan.
- All of the Company's accounts with the various parties including reinsurers are in Jordanian Dinar.
- There are no other foreign currencies denominated accounts. However, the Company monitors the fluctuation in the foreign currency exchange rate continuously.

The foreign currencies risks are the risks relating to the change in the value of the financial instruments due to the change in the foreign currencies exchange rates. Moreover, the Jordanian Dinar is considered the Company's functional currency. The Board of Directors sets the limits for the financial position of each currency at the Company. Additionally, the foreign currencies positions are monitored daily. Strategies are adopted to ensure that the positions of foreign currencies are maintained within the approved limits.

The following is the net position of the Company's major foreign currencies:

	Foreign Currency		Equivalent in Jordanian Dinar	
Currency Type	2018	2017	2018	2017
US Dollar	100,473	372,777	71,235	264,298

The Company's management believes that the foreign currencies risks and their impact on the financial statements are immaterial.

4- Liquidity Risk

The Company applies a suitable system to manage its short and long term funding risk and maintains sufficient reserves through monitoring the expected cash flows and comparing the maturity of assets with the maturity of financial and technical liabilities on the other hand.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated as they fall due. To limit this risk, management arranges diversified funding sources, manages assets and liabilities, and monitors liquidity on a daily basis and maintains sufficient amount of cash and cash equivalents and these traded instruments.

The table below summarizes the maturity profile of financial liabilities based on contractual undiscounted payments:

	Less than month	1 month to 3 months	3-6 months	6 months to 1 year	1-3 years	Without maturity	Total
	JD	*JD*	*JD*	*JD*	*JD*	*JD*	*JD*
31 December 2018 -							
Liabilities:							
Accounts payables	1,500,000	2,500,000	1,500,000	500,000	186,513	-	6,186,513
Accrued expenses	306,017	329,167	-	-	-	-	635,184
Reinsurance payables	3,808,277	6,643,844	6,586,781	4,754,254	460,137	-	22,253,293
Other provisions	-	-	-	-	-	1,084,242	1,084,242
Deferred tax liabilities	55,451	-	-	-	-	-	55,451
Other payables	158,561	44,254	-	-	-	24,903	227,718
Total liabilities	5,828,306	9,517,265	8,086,781	5,254,254	646,650	1,109,145	30,442,401
Total Assets	6,101,666	39,398,786	21,188,985	14,758,912	2,471,328	16,226,832	100,146,509
31 December 2017 -							
Liabilities:							
Accounts payables	4,000,000	3,500,000	2,500,000	2,000,000	474,165	-	12,474,165
Accrued expenses	341,226	-	-	-	-	-	341,226
Reinsurance payables	3,000,000	5,000,000	4,500,000	8,000,000	140,504	-	20,640,504
Other provisions	-	-	-	-	-	1,016,768	1,016,768
Deferred tax assets	-	-	-	-	55,451	-	55,451
Other payables	154,698	35,891	-	-	-	24,902	215,491
Total liabilities	7,495,924	8,535,891	7,000,000	10,000,000	670,120	1,041,670	34,743,605
Total Assets	17,638,758	17,462,561	14,462,235	41,471,468	11,115,612	3,848,442	105,999,076

5- Share Price Risk

This represents the decrease in the value of shares as a result of the changes in the level of indices of shares subscribed to in the investment portfolio at the Company.

The change in the stock exchange index as at the financial statements date was +5% or - 5%. The following is the impact of the change on the Company's shareholders' equity:

	Change in Index	Impact on Shareholders' equity Gain/(Loss)
2018		JD
Stock Exchange	5% Increase	252,560
Stock Exchange	5% Decrease	(252,560)
2017		JD
Stock Exchange	5% Increase	369,384
Stock Exchange	5% Decrease	(369,384)

6- Insurance Risk

This risk arises from the other parties' inability to meet their obligations. These risks arise from the following:

- Reinsurers.
- Policyholders.
- Insurance agents.

To mitigate insurance risks, the Company performs the following:

- Sets credit limits for agents and brokers.
- Controls accounts receivable.
- Sets reinsurance policies at other financially solvent parties.
- Maintains the Company's cash balances at local and international banks.

7- Reinsurance Risk

As with other Insurance Companies, and for the purpose of reducing the exposure to financial risks that may arise from major insurance claims, the Company, within the normal course of its business, enters into reinsurance agreements with other parties.

In order to reduce its exposure to major losses arising from the insolvency of reinsurance companies, the Company evaluates the financial position of the reinsurance companies it deals with while monitoring credit concentrations coming from geographic areas and activities or economic components similar to those companies. Moreover, the reinsurance policies issued do not exempt the Company from its obligations towards policyholders. As a result, the Company remains committed to the reinsured claims balance in case the reinsurers are unable to meet their obligations according to the reinsurance agreements.

In order to reduce exposure to the financial risks that may arise from the major insurance claims, the Company enters into reinsurance agreements with other parties.

The Company applies the treaty and facultative reinsurance agreements terms upon underwriting for all types of insurance regardless of the size.

The Company completes the reinsurance coverage for each risk assigned to it before the issuance of the insurance policy in case of insurance policies exceeding the relative agreements limits.

If the Company decides to assign more than 30% of any insurance contract, it provides a facultative reinsurance cover by at least 60% of that of contract to a reinsurance Company that is classified as first and second class in accordance with the instructions of the solvency margin.

The Company reinsures on a facultative basis 100% of risks excluded from treaties to a reinsurance company (companies) classified as 1st or 2nd class according to the solvency margin instructions.

The Company follows up on the treaty and facultative reinsurance Companies monthly to ensure that the classification is not down graded below 1st and 2nd class.

8- Operational Risks

Operational risks relate to systems downtime or may result from any intentional or unintentional human error. These risks may affect the Company's reputation as they may lead to financial losses. These risks may be avoided through segregating duties, setting the necessary procedures to obtain any information from the Company's systems, and making aware and training the Company's personnel.

9- Legal Risks

These risks relate to the lawsuits against the Company. In order to avoid these risks, the Company setup an independent legal department to follow up on the Company's operations in a manner that complies with the Insurance Law and the Insurance Commission's Regulations.

(32) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

31 December 2018 -	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Banks deposits	47,070,424	-	47,070,424
Financial assets at fair value through other comprehensive income	-	5,051,191	5,051,191
Financial assets at amortized cost	-	2,471,328	2,471,328
Cash and cash equivalents	2,494,466	-	2,494,466
Checks under collection	4,251,884	-	4,251,884
Accounts receivable	24,881,284	-	24,881,284
Reinsurance receivables	1,322,370	-	1,322,370
Deferred tax assets	-	5,722,030	5,722,030
Property and equipment	-	4,808,393	4,808,393
Intangible assets	-	645,220	645,220
Other assets	1,427,919	-	1,427,919
Total Assets	81,448,347	18,698,162	100,146,509
Liabilities			
Unearned premium reserve	14,838,093	-	14,838,093
Premium deficiency reserve	884,000	-	884,000
Outstanding claims reserve	16,055,040	2,722,783	18,777,823
Accounts payable	6,000,000	186,513	6,186,513
Accrued expenses	635,184	-	635,184
Reinsurance payable	21,793,156	460,137	22,253,293
Other provisions	-	1,084,242	1,084,242
Deferred tax liabilities	55,451	-	55,451
Other liabilities	202,815	24,903	227,718
Total Liabilities	60,463,739	4,478,578	64,942,317
Net	20,984,608	14,219,584	35,204,192

31 December 2017 -	Within1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Banks deposits	42,693,311	-	42,693,311
Financial assets at fair value through profit or loss	7,387,685	-	7,387,685
Financial assets at amortized cost	-	2,480,008	2,480,008
Cash and cash equivalents	1,242,338	-	1,242,338
Checks under collection	5,035,226	-	5,035,226
Accounts receivable	31,166,615	-	31,166,615
Reinsurance receivable	2,117,281	-	2,117,281
Deferred tax assets	-	6,690,252	6,690,252
Property and equipment	-	5,071,019	5,071,019
Intangible assets	-	797,415	797,415
Other assets	1,317,926	-	1,317,926
Total Assets	90,960,382	15,038,694	105,999,076
Liabilities			
Unearned premium reserve	15,635,902	-	15,635,902
Premium deficiency reserve	884,000	-	884,000
Outstanding claims reserve	17,670,783	2,737,000	20,407,783
Accounts payable	12,000,000	474,165	12,474,165
Accrued expenses	341,226	-	341,226
Reinsurance payable	20,500,000	140,504	20,640,504
Other provisions	-	1,016,768	1,016,768
Deferred tax liabilities	-	55,451	55,451
Other liabilities	190,589	24,902	215,491
Total Liabilities	67,222,500	4,448,790	71,671,290
Net	23,737,882	10,589,904	34,327,786

(33) ANALYSIS OF MAIN SECTORS

A- Background for the company business sectors

General insurance sector includes insurance on Motor, Marine, Aviation, Fire and Property, Liability, medical and other insurance lines, 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.

B- Geographic concentration of risk

The Company mainly operates in Jordan, which represents domestic operations. Also, the Company exercises international activities through its allies in the Middle East, Europe, Asia, America and the Near East, which represent international business.

The following table represents the distribution of revenues and assets of the Company and capital expenditure by geographic region:

	Inside the Kingdom		Outside the Kingdom		Total	
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total assets	97,153,454	100,979,096	2,993,055	5,019,980	100,146,509	105,999,076
Total written premium	80,230,672	91,883,875	5,002,263	3,543,478	85,232,935	95,427,353
Capital expenditure	312,219	1,006,806	-	-	312,219	1,006,806

(34) MANAGEMENT OF CAPITAL

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

a. To adhere to the Company's minimum capital issued by the Insurance Law. Moreover, the Company's minimum capital prior to the enforcement of the law according to which it was licensed to practice general insurance in all of its branches, jointly and severally, is JD 4 million.

b. To secure the continuity of the Company, and consequently, the Company's ability to provide the shareholders with good returns on capital.

c. To make available the proper return to shareholders through pricing insurance policies in a manner compatible with the risks associated with those polices.

d. To comply with the Insurance Commission Instructions associated with the solvency margin.

e. The below table shows the summary of the Company's capital and the minimum required capital:

	2018	2017
	JD	JD
Paid in Capital	21,438,252	21,438,252
Minimum Capital According to the Insurance Law	4,000,000	4,000,000

f. The following table shows the amount contributed to capital by the Company and the net solvency margin ratio as of 31 December 2018 and 2017:

	2018	2017
	JD	JD
Core Capital		
Paid in Capital	21,438,252	21,438,252
Statutory reserve	5,107,646	4,683,051
Profit (loss) for the year net of appropriations	2,788,305	(11,082,984)
Accumulated losses/ retained earnings	(3,330,780)	7,689,467
Total Core Capital	26,003,423	22,727,786
Supplementary capital:		
Cumulative change in fair value	(2,399,231)	-
Subordinated loan – over 5 years	11,600,000	11,363,893
Total Supplementary Capital	-	-
Total regulatory capital (a)	35,204,192	34,091,679
Total required capital (b)	19,976,006	22,355,521
Solvency margin (a) / (b)	176.2%	152.5%

In the opinion of the Company's management, the regulatory capital is compatible with and adequate to the size of capital and nature of risks to which the Company is exposed.

(35) LAWSUITS AGAINST THE COMPANY

There are lawsuits filed against the Company claiming compensation for a total amount of JD 3,745,704 as at 31 December 2018. 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. Total amount of the cases raised by the company within its activity is JD 2,679,319 as at 31 December 2018.

(36) CONTINGENT LIABILITIES

The Company has letter of guarantee of JD 2,997,490 as at 31 December 2018 (2017: JD 4,613,148) against which cash margins of JD 299,749 (2017: JD 461,314) are held.

(37) FAIR VALUE HIERARCHY

The following table analyzes the financial instruments recorded at fair value based on the valuation method which is defined at different levels as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2: Information not included in level (1) quoted prices monitored for the asset or liability, either directly (e.g. prices) or indirectly (i.e. derived from prices);
- Level 3: information on the asset or liability not based on those observed from the market (unobservable inputs).

	Level (1)	Level (2)	Level (3)	Total
31 December 2018-	JD	JD	JD	JD
Financial assets at fair value through other comprehensive income	5,051,191	-	-	5,051,191
Total financial assets	5,051,191	-	-	5,051,191

	Level (1)	Level (2)	Level (3)	Total
31 December 2017-	JD	JD	JD	JD
Financial assets at fair value through profit or loss	7,387,685	-	-	7,387,685
Total financial assets	7,387,685	-	-	7,387,685

(38) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Company has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Company will adopt IFRS 16 using the modified retrospective approach. During 2018, the Company has performed a detailed impact assessment of IFRS 16. The Company expected the effect of adopting IFRS 16 to be JD 636,884 on the total assets and JD 636,884 on the total liabilities.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

(39) COMPARATIVE FIGURES

Some of the 2017 figures were reclassified to correspond with the 2018 presentation. The reclassification have no effect on loss or equity for the year 2017.