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**To: Jordan Securities Commission**  
**Amman Stock Exchange**

Date:- 17/5/2017

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ:- ٢٠١٧/٥/١٧

**Subject: Quarterly Report as of**  
**March 31<sup>st</sup>, 2017**


الموضوع: البيانات المالية ربع السنوية كما في تاريخ  
٣١ آذار ٢٠١٧

Attached please find the English version of the quarterly report of ARABIA Insurance Co. as of 31/3/2017.

نرفق لكم طيه البيانات المالية ربع سنوية لشركة التأمين العربية  
- الأردن كما في تاريخ ٢٠١٧/٣/٣١ باللغة الانجليزية.

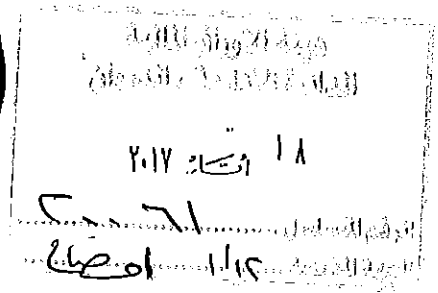
**Kindly accept our high appreciation and respect**

وتفضلوا بقبول فائق الاحترام،،

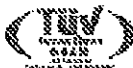


**Mazen A. Abduljalil**  
**Assistant General Manager**  
**Finance and Administration**

مازن عبد الجليل عبد الجليل  
مساعد المدير العام  
للشؤون المالية والإدارية



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



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info@alcj.jo • www.alcj.jo

ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD  
ENDED MARCH 31, 2017 TOGETHER  
WITH THE REVIEW REPORT

ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
MARCH 31, 2017

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# Deloitte.

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## Report on Reviewed Condensed Interim Financial Information

AM/81404

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

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Arabia Insurance Company - Jordan (A Public Shareholding Limited Company) as of March 31, 2017, and the related condensed interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard No. (34) Relating to Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

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

### **Explanatory Paragraph**

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

### **Other Matter**

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

Amman - Jordan  
April 27, 2017

  
Deloitte & Touche (M.E.) - Jordan

**Deloitte & Touche (M.E.)**  
Public Accountants  
Amman - Jordan

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

ASSETS	Notes	March 31, 2017 Reviewed and (Audited)	December 31, 2016
		JD	JD
Deposits at banks	4	8,810,375	8,735,289
Financial assets at fair value through statement of income	5	1,281,324	1,172,327
Financial assets at fair value through comprehensive income	6	2,744,746	2,623,536
Financial assets at amortized cost	7	1,296,546	1,004,194
Investment property		2,269,335	2,283,255
Life policyholders' loans		29,114	17,679
Total Investments		<u>16,411,540</u>	<u>15,836,280</u>
Cash on hand and at banks		1,279,762	1,431,785
Cheques under collection		1,833,965	1,685,055
Receivables - net	8	4,972,502	4,636,501
Companies and re-insurance receivable - debit	9	709,629	588,924
Deferred tax assets	D 10	489,879	503,304
Property and equipment - net		2,702,291	2,736,419
Intangible assets - net		8,704	7,493
Other assets		769,822	677,690
TOTAL ASSETS		<u>29,178,039</u>	<u>28,103,451</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Unearned premiums provision - net		5,952,379	5,669,457
Claims provision - net		7,090,867	7,004,965
Mathematical reserve - net		560,883	568,883
Total Insurance Contracts Liabilities		<u>13,612,129</u>	<u>13,243,305</u>
Payables	11	1,169,205	1,030,214
Accrued expenses		67,518	47,642
Companies and re-insurance payable - credit	12	2,786,689	2,512,313
End of services indemnity provision		109,188	108,677
Income tax provision	A 10	83,797	54,566
Deferred tax liabilities	D 10	152,395	121,388
Other liabilities		168,572	228,329
TOTAL LIABILITIES		<u>18,149,573</u>	<u>17,345,935</u>
<b>SHAREHOLDERS' EQUITY</b>			
Authorized and paid-up capital		8,000,000	8,000,000
Statutory reserve		1,159,299	1,159,299
Voluntary reserve		174,717	174,717
Investment revaluation reserve - Net of tax	13	61,012	(30,727)
Retained earnings	14	1,454,227	1,454,227
Profit for the period		179,271	-
Total Shareholders' Equity		<u>11,028,526</u>	<u>10,757,516</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>29,178,039</u>	<u>28,103,451</u>

Chairman of the Board of Directors

General Manager

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

ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED INTERIM STATEMENT OF INCOME  
(Reviewed not Audited)

	Note	For the Three-Months Period Ended March 31,	
		2017 JD	2016 JD
<b>Revenue:</b>			
Gross written premiums		5,173,200	4,336,353
Less: Re-Insurers' share		2,134,514	1,650,250
Net Written Premiums		3,338,686	2,686,103
Net change in unearned premiums provision		(282,922)	258,592
Net change in mathematical reserve		-	24,385
Net Written Revenue Premiums		3,055,764	2,969,090
Commissions revenue		266,154	233,388
Policies issuance service fees		252,221	181,069
Interest Income		83,108	61,913
Net gain from financial assets and investments	16	116,902	108,018
Other revenue - net		37,488	34,634
Total Revenue		3,811,637	3,588,112
<b>Claims, Losses and Expenses:</b>			
Paid claims		3,811,704	3,976,288
Add: Entitlement and qualifying policy holders		15,546	12,500
Less: Recoveries		405,201	380,394
Re-Insurers' share		992,169	845,926
Net paid claims		2,429,960	2,762,468
Net change in claims provision		85,930	(431,842)
Allocated employees' expenses		251,535	278,271
Allocated general and administrative expenses		116,686	112,826
Excess of loss premiums		59,228	60,956
Policies acquisition cost		478,929	372,298
Other expenses related to underwriting		17,250	28,000
Net Claims Costs		3,439,518	3,182,977
Unallocated employees' expenses		62,884	69,560
Depreciation and amortization		35,283	35,307
Unallocated general and administrative expenses		29,171	28,207
Provision for impairment in accounts and re-insurance receivable	8,9	16,278	17,674
Total Expenses		143,616	150,756
Profit for the period before Tax		228,503	254,379
Income tax expense	10 B	49,232	61,037
Profit for the Period		179,271	193,342
Earnings per Share for the Period	17	0.022	0.024

Chairman of the Board of Directors..

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED  
INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM  
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ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
(Reviewed not Audited)

	Note	For the Three-Months Period Ended March 31,	
		2017	2016
Profit for the period		JD 179,271	JD 193,342
Items not subsequently transferable to condensed interim statement of income:			
Net change in investment revaluation reserve	13	91,739	(22,309)
Total Comprehensive Income		<u>271,010</u>	<u>171,033</u>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED  
 INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM  
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ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED INTERIM STATEMENT OF CASH FLOWS  
(REVIEWED NOT AUDITED)

	Note	For the Three-Months Period Ended March 31,	
		2017	2016
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit for the period before tax		228,503	254,379
Adjustments:			
Depreciation and amortization		35,283	35,307
Investments property depreciation	16	13,320	13,320
Loss on the impairment Provision in accounts and re-insurance receivable	8,9	16,278	17,674
Revaluation (gain) on financial assets at fair value through statement of income	16	(48,943)	(15,679)
Loss on the impairment Provision of financial assets at amortized cost	7	7,648	-
End of service indemnity provision		511	1,587
Net Change in unearned premiums provision		282,922	(258,592)
Net change in claims provision		85,930	(431,842)
Net change in mathematical reserve		-	(24,395)
Cash Flows from (used in) Operating Activities before Changes in Assets and Liabilities		621,452	(408,241)
(Increase) decrease in Financial Assets:			
Financial assets at fair value through statement of income		(40,054)	-
Checks under collection		(148,910)	(493,437)
Accounts receivable - Net		(359,568)	(110,674)
Companies and re-insurance receivable - debit		(113,416)	99,051
Other assets		(92,166)	(87,843)
Increase (decrease) in Financial Liabilities:			
Accounts payable		139,071	30,426
Accrued Expenses		19,876	4,035
Companies and re-insurance payable - credit		274,376	484,480
Other Liabilities		(59,757)	(8,014)
Net Cash Flows from (used in) Operating Activities before taxes and end of service indemnity provision paid		240,904	(489,417)
Taxes paid	10	(4,040)	(4,464)
End of service indemnity paid		-	(2,180)
Net Cash Flows from (used in) Operating Activities		236,864	(496,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Deposits at banks (Maturing in Three Months)		(1,087,519)	(515,947)
Financial assets at amortized cost-net		(300,000)	(72,224)
(Increase) decrease in life policyholders' loans		(11,435)	7,171
(Purchase) of property and equipment		(2,366)	(17,293)
Net Cash Flows (used in) Investing Activities		(1,401,320)	(598,293)
Net (Decrease) in Cash and Cash Equivalents		(1,164,456)	(1,094,354)
Cash and cash equivalents - beginning of the year		7,101,303	9,012,295
Cash and Cash Equivalents - End of the Period	18	5,936,847	7,917,941

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

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

**1. General**

- a. Arabia Insurance Company - Jordan was established in 1975 and registered as a Jordanian Public Shareholding Company under No. (90). with headquarters in Amman - The Hashemite Kingdom of Jordan - Sharif Abdul Hamid Sharaf Street, Shmeisani P.O. 20031 Amman 11118 - Jordan and an authorized capital of JD 2 million divided over 2 million shares, with a par value of JD 1 per share. Moreover, the company's Capital was increased in several stages, the last of which was on February of the year 2008 so that it became JD 8 million divided over 8 million shares.

The company carries out all insurance and reinsurance activities, including fire accidents, marine, credit, vehicles, life, and health insurance.

- b. Pursuant to the resolution of the General Assembly for the shareholders on April 30, 2012, the name of the company was changed on May 31, 2012 to "Arabia Insurance Company - Jordan" instead of "General Arabia Insurance Company".
- c. Arabia Insurance Company - Jordan is 51% owned by Arabia Company (Holding Company - Lebanon).
- d. The accompanying condensed interim financial statements were approved by the Board of Directors at its meeting No. (167) held on April 24, 2017.

**2. Significant accounting policies**

**Basis of preparation of the condensed interim financial statements**

- The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) No. 34 (Interim Financial Reporting).
- The interim condensed financial statements have been prepared according to the historical cost convention except for financial assets and financial liabilities stated at fair value at the date of the interim condensed financial statements.
- The interim condensed financial statements are reported in Jordanian Dinars, which is the Company's functional currency.
- The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Company's annual report as of December 31, 2016. Moreover, the results for the three-months period ended March 31, 2017 do not necessarily provide an indication of the expected results of operations for the year ending December 31, 2017. The company's profits for the three-month period ended March 31, 2017 have not been appropriated; as such appropriations will be made at the end of the year.
- The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with the accounting policies that have been followed for the year ended December 31, 2016 except for the following:
  - Annual improvements to IFRSs issued between 2014 and 2016, which include amendments to IFRS 12.

- Amendments to IAS 12: "Income taxes" relating to the recognition of deferred tax assets for unrealized losses.
- Amendments to IAS 7 "Statement of Cash Flows" which are intended to provide additional disclosures in the statement of cash flows to enable users of the financial statements to assess the change in liabilities arising from financing activities.

The adoption of the above new standards had no impact on the amounts reported disclosures contained in the condensed interim financial statements.

### 3. Use of estimates

Preparation of the condensed interim financial information and application of the accounting policies require the Company's management to perform estimates and judgments that affect the amounts of the financial assets and liabilities, and disclosures relating to contingent liabilities. These estimates and judgments also affect revenues, expenses, provisions investments revaluation reserve. In particular, the Company's management and are required to issue significant judgments to assess expected future cash flows and their timing. The above-mentioned estimates are based on several assumptions and factors with varying degrees of estimation and uncertainty. Moreover, the actual results may differ from the estimates due to changes resulting from the circumstances and situations of those estimates in the future.

We believe that the estimates within the condensed interim financial statements are reasonable and consistent with the estimates used at the end of year 2016.

### 4. Deposits with banks

This item consists of the following:

	March 31, 2017			December 31, 2016	
	Deposits Maturing Within Three Months	Deposits Maturing after Three Months and up to One Year	Deposits Maturing after one year and up to five Years	Total	Total
	JD	JD	JD	JD	JD
Inside Jordan	4,657,085	4,153,290	-	8,810,375	8,735,289

- Interest rates on Bank deposits denominated in Jordanian Dinar range from 2.9% to 4.25% During the period in the year 2017.
- Deposits collateralized to the order of the Director General of the Insurance Commission in addition to his position amounted to JD 325,000 as of March 31, 2017 and December 31, 2016 at Jordan Ahli Bank, and will mature within three months.
- There are no Restricted balances except for deposits mortgaged to the order of the Director General of the Insurance Commission in addition to his position.

**5. Financial Assets at Fair Value through Statement of Income**

This item consists of the following:

	March 31	
	2017	2016
<u>Inside Jordan:</u>	JD	JD
Quoted shares at Amman Stock Market	1,261,324	1,172,327
	<u>1,261,324</u>	<u>1,172,327</u>

**6. Financial Assets at Fair Value through Comprehensive Income**

This item consists of the following:

	March 31, 2017	December 31, 2016
<u>Inside Jordan</u>	JD	JD
Quoted shares at Amman Stock Market	2,681,946	2,561,236
Unquoted shares at Amman Stock Market	62,300	62,300
	<u>2,744,246</u>	<u>2,623,536</u>

**7. Financial Assets at Amortized Cost**

This item consists of the following:

	March 31, 2017	December 31, 2016
<u>Inside Jordan</u>	JD	JD
Company's loan debentures and bonds	409,500	109,500
Provision for impairment in value *	(27,375)	(21,900)
	<u>382,125</u>	<u>87,600</u>
<u>Outside Jordan</u>		
Company's loan debenture and bonds	854,540	854,540
Foreign governmental loan debentures and bonds	71,699	71,699
provision for impairment in value *	(11,818)	(9,645)
	<u>914,421</u>	<u>916,594</u>
	<u>1,296,546</u>	<u>1,004,194</u>

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

	For the Three month Period Ended March 31, 2017	For the Year Ended December 31, 2016
<u>Inside Jordan</u>	JD	JD
Balance - Beginning of the period / year	31,545	-
Additions during the period / year	7,648	31,545
Balance - End of the Period / Year	<u>39,193</u>	<u>31,545</u>

This table shows the details of financial assets at amortized cost before deducting the provision\*\*

Bonds	Less than one year	more than one year	total	Matured Date	Interest rate
	JD	JD	JD		
specialized Investment company PLC *	-	109,500	109,500	6/6/2020	10%
MAN AHL Diversified Producer's debentures	-	70,900	70,900	N/A	variable Interest
Lebanon bonds	-	71,699	71,699	9/3/2020	6.375%
SBER Bank bonds	-	128,673	128,673	29/10/2022	5.125%
GAZPROM bonds	141,879	-	141,879	17/5/2017	5.625%
TELEMAR bonds	-	67,396	67,396	23/10/2020	5.500%
PETROBRAS bonds	-	71,266	71,266	20/1/2020	5.750%
AL BARAKA TURK bonds	-	157,957	157,957	30/6/2019	6.250%
BAHRAIN bonds	-	144,244	144,244	26/1/2021	5.875%
PEMEX bonds	-	72,225	72,225	4/2/2021	6.375%
Arabian International Hotels Bonds	-	300,000	300,000	22/1/2022	5.50%
	<u>141,879</u>	<u>1,193,860</u>	<u>1,335,739</u>		

\* The maturity of the bonds has been extended for five years to June 6, 2020, and the Interest rate was increased to 10% instead of 9.5%. Moreover, maturity has been extended for the second time from the first maturity on December 6, 2012.

\*\* Analysis of financial assets at amortized cost- net

	March 31, 2017	December 31, 2016
	JD	JD
a. Fixed return	1,225,646	964,839
b. Variable return	70,900	70,900
	<u>1,296,546</u>	<u>1,004,194</u>

#### 8. Accounts Receivable - Net

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Policyholders receivable	4,390,257	4,135,203
Agents receivable	1,226,554	1,113,354
Brokers receivable	1,749	1,844
Employees receivable	6,885	7,223
Other receivables	67,986	76,239
	<u>5,693,431</u>	<u>5,333,863</u>
<u>Less:</u> Provision for Impairment of doubtful debts *	<u>(720,929)</u>	<u>(697,362)</u>
Accounts Receivables - Net	<u>4,972,502</u>	<u>4,636,501</u>

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

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	697,362	708,122
Provision (surplus) during the period / year	23,567	(10,760)
Balance - End of the Period / Year	<u>720,929</u>	<u>697,362</u>

**9. Companies and Re-insurers Receivable - Debit**

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Local Insurance companies	628,029	533,234
Foreign re-insurance companies	261,629	243,008
	889,658	776,242
Less: Provision for impairment of re-insurance receivable *	(180,029)	(187,318)
Companies and Re-Insurers Receivable - Net	709,629	588,924

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

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	187,318	163,868
(Surplus) Provision during the period / year	(7,289)	23,450
Balance at end of Period / Year	180,029	187,318

**10. Income Tax**

**a. Income tax provision**

- Movement on the Income tax provision was as follows:

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	(54,066)	131,047
Income tax paid on account	4,040	12,000
Income tax expense for the period / year	(33,771)	(197,113)
Balance at the - End of the Period / Year	(83,797)	(54,066)

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

	For the Three-Months Period Ended March 31, 2017	2016
	JD	JD
Income tax expense accrued on the profits of the period	33,771	37,241
Deferred tax assets-net	3,721	11,818
Deferred tax liabilities-net	11,740	11,978
	49,232	61,037

- The income tax for the Company has been settled up to the end of the year 2014. Moreover, the tax returns for the years 2015 and 2016 were filed, and the resulting amounts were paid on time.

- An Income tax provision had been calculated and booked for the three month period ended March 31, 2017 in compliance with Jordan Income Tax Law. In the opinion of management and its tax consultant, the company will not have any liabilities greater than the provision at March 31, 2017.

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

	For the Three-Months Period Ended March 31, 2017		For the Year Ended December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the period / year	503,304	121,388	438,714	103,439
Additions	5,865	31,014	110,787	18,574
Disposal	(19,290)	(7)	(46,197)	(625)
Balance at the - End for the Period / Year	<u>489,879</u>	<u>152,395</u>	<u>503,304</u>	<u>121,388</u>

d. Deferred Tax Assets / liabilities

This item consists of the following:

Accounts included	For the Three-Months Period Ended March 31, 2017				March 31, 2017	December 31, 2016
	Balance - beginning of the period	Released amounts	Addition amounts	Balance - End of the Period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
<b>A-Deferred tax assets</b>						
Provision for doubtful debts	884,680	-	16,278	900,958	216,230	212,323
IBNR provision	1,005,465	13,639	-	991,826	238,038	241,312
End of services Indemnity Provision	108,677	-	511	109,188	26,205	26,082
Revaluation reserve for financial assets at fair value through comprehensive Income	40,430	40,430	-	-	-	9,703
Revaluation losses on financial assets at fair value through statement of Income	26,304	26,304	-	-	-	6,313
Impairment losses on financial assets at amortized cost	31,545	-	7,648	39,193	9,406	7,571
	<u>2,097,101</u>	<u>80,373</u>	<u>24,437</u>	<u>2,041,165</u>	<u>469,879</u>	<u>503,304</u>

**B-Deferred tax liabilities \***

Revaluation reserve on financial assets at fair value through comprehensive Income	-	-	80,279	80,279	19,267	-
Revaluation on financial assets at fair value through statement of Income	-	-	48,944	48,944	11,747	-
Claims recoveries	505,782	29	-	505,753	121,381	121,388
	<u>505,782</u>	<u>29</u>	<u>129,223</u>	<u>634,976</u>	<u>152,395</u>	<u>121,388</u>

- \* Deferred tax liabilities as of March 31, 2017 represent deferred taxes arising from claims expected to be recovered. Gains on revaluation of financial assets at fair value through statement of Income and gains on the revaluation of financial assets at fair value through comprehensive Income that appear under cumulative change in fair value item.
- Deferred taxes are calculated based on the effective tax rate of 24%, and management believes that the deferred tax assets will be utilized in the near future.

**11. Accounts Payable**

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Agents payable	69,472	51,303
Employees' payable	8,106	2,932
Brokers payable	413,444	365,432
Clients payable	465,281	400,950
Medical payable	68,896	55,868
Others	144,086	153,729
	<u>1,169,285</u>	<u>1,030,214</u>

**12. Companies and Re-Insurance Payable – Credit**

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Local Insurance companies	479,838	479,402
Foreign re-insurance companies	1,350,374	1,142,234
Re-Insurers' deposits	<u>956,477</u>	<u>890,677</u>
	<u>2,786,689</u>	<u>2,512,313</u>

**13. Investment Revaluation Reserve – Net After Tax**

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

The details of this item is as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	(30,727)	1,980
Changes In Investment Revaluation Reserve - Net	<u>91,739</u>	<u>(32,707)</u>
Balance – End of Period / Year	<u>61,012</u>	<u>(30,727)</u>

**14. Retained Earnings**

This item consists of the following:

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	1,454,227	975,931
Profit for the year	-	620,965
(Losses) on financial assets at fair value through comprehensive income	-	(64,493)
Transferred to reserves	-	(78,176)
Balance – End of Period / Year	<u>1,454,227</u>	<u>1,454,227</u>

**15. Proposed dividend**

The Board of Directors recommended the distribution of 7.5% of capital as shareholders' dividends from the profit of the year 2016, equivalent to JD 600 thousand and is subject to the approval of the General Assembly.

**16. Net Gain from Financial Assets and Investments**

This item consists of the following:

	For the Three-Months Period Ended March 31,	
	2017	2016
	JD	JD
Interests on financial assets at amortized cost	14,265	22,755
Dividends revenue from financial assets at fair value through statement of Income	-	872
Dividends revenue from financial assets at fair value through comprehensive income	58,377	82,032
Net change in fair value of financial assets at fair value through statement of Income	48,943	15,679
Provision for impairment in financial assets at amortized cost	(7,648)	-
Investment property depreciation	(13,320)	(13,320)
Rent revenue from investment property	16,835	-
(Losses) on the disposal of financial assets at fair value through statement of Income	(550)	-
	<u>116,902</u>	<u>108,018</u>

**17. Earnings per Share for the Period**

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

	For the Three-Months Period Ended March 31,	
	2017	2016
	JD	JD
Profit for the period	179,271	193,342
Number shares	8,000,000	8,000,000
Earnings per Share for the Period	<u>0/022</u>	<u>0/024</u>

**18. Cash and Cash Equivalents**

The details of this item are as follows:

	March 31,	
	2017	2016
	JD	JD
Cash on hand and at banks	1,279,762	1,146,875
Add: Deposits at banks maturing within three months	4,657,085	6,771,066
	<u>5,936,847</u>	<u>7,917,941</u>

**19. Transactions with Related Parties**

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

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

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

Items included in the interim condensed statement of financial position:	March 31, 2017			Total	
	Major Shareholders	Board Members	Top Executive Management	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD
Accounts receivable	291	281,502	-	281,793	315,153
Accounts payable	-	79,726	-	79,726	69,242
					For the Three-Month Period Ended March 31, 2016
Items included in the interim condensed statement of income:	For the Three-Month Period Ended March 31, 2017				
Underwriting Premiums	43,704	396,143	271	440,118	573,507
Compensation	-	509,965	-	509,965	483,247
Salaries and Rewards	-	-	53,850	53,850	82,962
Travel and Transportation	-	908	1,098	2,006	1,030

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

Description	March 31,	
	2017	2016
Salaries, rewards and other benefits	JD 54,948	JD 83,336
Rewards, transportation, and accommodation allowances for members of the board	908	656
	<u>55,856</u>	<u>83,992</u>

## **20. Lawsuits against the Company:**

There were cases against the company to claiming compensation for various accidents. The total value of the cases was JD 14,343,416 as at March 31, 2017 before the courts (JD 14,122,584 as at December 31, 2016). These cases include a case in the amount of JD 12,639,041 in which the other party claims damage due to a fire incident, knowing that the company's share does not exceed 2.5% of that claim in the event of any obligation being met as a result of this claim. In the opinion of the management and counsel of the company, this damage is not covered under the insurance policy issued by the company and that there is no absolute right to claim the other party for the claim in the damage. The Company has taken sufficient provisions to meet any obligations in respect of these cases. Based on the foregoing, in the opinion of the Company's management and counsel, the Company will not incur obligations in excess of the amounts allocated to it under the net claims provision item.

## **21. Contingent Liabilities**

There are commitments by the company against bank guarantees amounting to JD 257,845 as of March 31, 2017 and its cash collateral amounted to JD 1,000 as of that date (bank guarantees amounting to JD 242,740 as of December 31, 2016).

## **22. Segment Analysis**

### **a. Information about the Company's business sectors:**

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

**b. Geographical Distribution Information**

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

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

	Inside Jordan		Outside Jordan		Total	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD	JD
Total Assets	28,058,874	27,002,848	1,119,225	1,100,603	29,178,099	28,103,451
	For the Three-Months Period Ended March 31,		For the Three-Months Period Ended March 31,		For the Three-Months Period Ended March 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total Revenue	3,559,741	3,367,027	251,896	221,085	3,811,637	3,588,112
Capital Expenditures	2,366	17,293	-	-	2,366	17,293

**23. Fair Value Hierarchy**

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

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

Financial Assets	Fair Value		Fair Value Level	Methods of evaluation and inputs used	Significant Intangible Inputs	Relationship between significant intangibles inputs and fair value
	March 31, 2017	December, 31 2016				
	JD	JD				
Financial assets at fair value:						
Financial assets at fair value through statement of income:						
Shares with Quoted Prices	1,261,324	1,172,327	Level 1	As Stock Market	Not Applied	Not Applied
Financial Assets at fair value through comprehensive income:						
Quoted shares	2,681,946	2,561,236	Level 1	As Stock Market	Not Applied	Not Applied
Unquoted shares	62,300	62,300	Level 2	At Cost	Not Applied	Not Applied
Total Financial Assets at Fair Value	4,005,570	3,795,863				

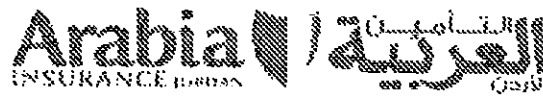
There were no transfers between Level 1 and Level 2 during the the first three month-period of the year 2017 and the year 2016.

B) Financial Assets and Financial Liabilities not Measured at Fair Value on a Recurring Basis:

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

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>Fair value level</u>
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	
<b>Financial assets not determined at fair value</b>					
Deposits at banks	8,810,375	8,880,581	8,735,289	8,804,857	Level 2
Financial assets at Amortized cost	1,296,546	1,335,751	1,004,194	1,015,358	Level 2
Property Investment	<u>2,269,935</u>	<u>2,366,626</u>	<u>2,283,256</u>	<u>2,366,626</u>	Level 2
<b>Total</b>	<u>12,376,856</u>	<u>12,582,958</u>	<u>12,022,739</u>	<u>12,186,841</u>	

For the items listed above, fair value of level 2 financial assets at fair value has been determined according to an agreed upon pricing model, which reflects the insurance risk of the dealt with related parties.



To: Jordan Securities Commission

Amman Stock Exchange

Date:- 17/5/2017

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ:- ٢٠١٧/٥/١٧

**Subject: Quarterly Report as of**

**March 31<sup>st</sup>, 2017**

Attached please find the English version of the quarterly report of ARABIA Insurance Co. as of 31/3/2017.

**الموضوع: البيانات المالية ربع السنوية كما في تاريخ**

**٣١ آذار ٢٠١٧**

نرفق لكم طيه البيانات المالية ربع سنوية لشركة التأمين العربية - الأردن كما في تاريخ ٢٠١٧/٣/٣١ باللغة الانجليزية.

Kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام...

Mazen A. Abduljalil  
Assistant General Manager  
Finance and Administration

مازن عبد الجليل عبد الجليل  
مساعد المدير العام  
للشؤون المالية والإدارية



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



مكتب: ٥٢٠ ١٢٠ ١٢٠ ٩٦٢ • فاكس: ٣٠٣ ٦٢٢ ١٥ ٩٦٢ • صندوق بريد ٢٠٠٢١ عمان ١١١١٨ الأردن  
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ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD  
ENDED MARCH 31, 2017 TOGETHER  
WITH THE REVIEW REPORT

ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
MARCH 31, 2017

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# Deloitte.

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## Report on Reviewed Condensed Interim Financial Information

AM/81404

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

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Arabia Insurance Company - Jordan (A Public Shareholding Limited Company) as of March 31, 2017, and the related condensed interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard No. (34) Relating to Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

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

### **Explanatory Paragraph**

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

### **Other Matter**

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

Amman - Jordan  
April 27, 2017

  
Deloitte & Touche (M.E.) - Jordan

**Deloitte & Touche (M.E.)**  
Public Accountants  
Amman - Jordan

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

ASSETS	Note	March 31, 2017 Reviewed not (Audited)	December 31, 2016
		JD	JD
Deposits at banks	4	8,810,375	8,735,280
Financial assets at fair value through statement of income	5	1,261,324	1,172,327
Financial assets at fair value through comprehensive income	6	2,744,246	2,623,536
Financial assets at amortized cost	7	1,296,546	1,004,194
Investment property		2,269,935	2,283,255
Life policyholders' loans		29,114	17,679
Total Investments		16,411,540	15,836,280
Cash on hand and at banks		1,279,762	1,431,785
Cheques under collection		1,833,965	1,645,055
Receivables - net	8	4,972,582	4,636,501
Companies and re-insurance receivable - debit	9	709,629	588,926
Deferred tax assets	10	489,879	503,304
Property and equipment - net		2,792,291	2,736,419
Intangible assets - net		8,704	7,493
Other assets		769,822	677,630
<b>TOTAL ASSETS</b>		<b>29,178,039</b>	<b>28,103,451</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Unearned premiums provision - net		5,952,379	5,669,457
Claims provision - net		7,090,867	7,004,965
Mathematical reserve - net		560,893	560,893
Total Insurance Contracts Liabilities		13,612,129	13,243,306
Payables	11	1,169,285	1,030,214
Accrued expenses		67,518	47,642
Companies and re-insurance payable - credit	12	2,786,689	2,512,313
End of services indemnity provision		109,188	108,677
Income tax provision	A 10	83,797	54,066
Deferred tax liabilities	D 10	152,395	121,380
Other liabilities		168,572	228,329
<b>TOTAL LIABILITIES</b>		<b>18,149,573</b>	<b>17,345,935</b>
<b>SHAREHOLDERS' EQUITY</b>			
Authorized and paid-up capital		8,000,000	8,000,000
Statutory reserve		1,159,299	1,159,299
Voluntary reserve		174,717	174,717
Investment revaluation reserve - Net of tax	13	64,012	(30,727)
Retained earnings	14	1,454,227	1,454,227
Profit for the period		179,271	-
Total Shareholders' Equity		11,028,526	10,757,516
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>29,178,039</b>	<b>28,103,451</b>

Chairman of the Board of Directors

General Manager

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

**ARABIA INSURANCE COMPANY - JORDAN**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN - JORDAN**  
**CONDENSED INTERIM STATEMENT OF INCOME**  
**(Reviewed not Audited)**

	Note	For the Three-Months Period Ended March 31,	
		2017 JD	2016 JD
<b>Revenue:</b>			
Gross written premiums		5,473,200	4,336,353
Less: Re-Insurers' share		2,134,514	1,650,250
Net Written Premiums		3,338,686	2,686,103
Net change in unearned premiums provision		(282,922)	258,592
Net change in mathematical reserve		-	24,395
Net Written Revenue Premiums		3,055,764	2,969,090
Commissions revenue		266,154	233,388
Policies Issuance service fees		252,221	181,069
Interest Income		83,108	61,913
Net gain from financial assets and investments	16	116,902	108,018
Other revenue - net		37,488	34,634
Total Revenue		3,811,637	3,588,112
<b>Claims, Losses and Expenses:</b>			
Paid claims		3,811,704	3,975,288
Add: Entitlement and qualifying policy holders		15,546	12,500
Less: Recoveries		405,201	380,394
Re-Insurers' share		992,169	845,926
Net paid claims		2,429,900	2,762,468
Net change in claims provision		85,930	(431,842)
Allocated employees' expenses		251,535	270,271
Allocated general and administrative expenses		116,686	112,826
Excess of loss premiums		59,228	60,956
Policies acquisition cost		478,929	372,298
Other expenses related to underwriting		17,250	28,000
Net Claims Costs		3,439,518	3,102,977
Unallocated employees' expenses		62,884	69,568
Depreciation and amortization		35,283	35,307
Unallocated general and administrative expenses		29,171	28,207
Provision for impairment in accounts and re-insurance receivable	8,9	16,278	17,674
Total Expenses		143,616	150,756
Profit for the period before Tax		228,503	254,379
Income tax expense	10 B	49,232	61,037
Profit for the Period		179,271	193,342
Earnings per Share for the Period	17	0.022	0.024

Chairman of the Board of Directors.

General Manager

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

ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
(Reviewed not Audited)

	Note	For the Three-Months Period Ended March 31,	
		2017	2016
		JD	JD
Profit for the period		179,271	193,342
Items not subsequently transferable to condensed interim statement of income:			
Net change in Investment revaluation reserve	13	91,739	(22,309)
Total Comprehensive Income		<u>271,010</u>	<u>171,033</u>

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

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Part - up Caption	JD	Secondary Reserve	Voluntary Reserve	Investment Revaluation Reserve	Retained Earnings		Profit for the Period	Total
					Retained	Unretained		
Balance - beginning of the year	8,000,000	1,439,299	174,717	(30,727)	798,453	638,479	1,436,932	10,797,516
Profit for the period	-	-	-	-	-	-	179,271	179,271
Change in investment revaluation reserve	-	-	-	81,739	-	-	-	81,739
Total Comprehensive Income	-	-	-	81,739	-	-	179,271	279,010
Transfers during the period	-	-	-	-	-	-	-	-
Balance - End of the Period	8,000,000	1,439,299	174,717	(30,727)	798,453	638,479	1,436,932	11,076,526
Balance - beginning of the year	8,000,000	1,081,123	174,717	17,500	570,477	605,454	975,931	10,335,751
Profit for the period	-	-	-	-	-	-	193,342	193,342
Change in investment revaluation reserve	-	-	-	(22,309)	-	-	-	(22,309)
Total Comprehensive Income	-	-	-	(22,309)	-	-	171,033	171,033
Transfers during the period	-	-	-	-	-	-	-	-
Balance - End of the Period	8,000,000	1,081,123	174,717	(22,309)	570,477	605,454	1,167,266	10,504,766

\* The retained earnings includes JD 154,778 as of March 31, 2017, representing the cumulative change in the fair value transferred to the retained earnings as a result of applying IFRS 9. This amount may not be used according to the instructions of Jordan Securities Commission.

\* The retained earnings includes JD 489,879 as of 31 March 2017, restricted against deferred tax assets (JD 903,304 as of 31 December 2016).

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

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

	Note	For the Three-Months Period Ended March 31,	
		2017	2016
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit for the period before tax		220,503	254,379
Adjustments:			
Depreciation and amortization		35,283	35,307
Investments property depreciation	16	13,320	13,320
Loss on the impairment Provision in accounts and re-insurance receivable	8,9	16,278	17,674
Revaluation (gain) on financial assets at fair value through statement of income	16	(48,043)	(15,679)
Loss on the impairment Provision of financial assets at amortized cost	7	7,648	-
End of service indemnity provision		511	1,587
Net Change in unearned premiums provision		282,922	(250,592)
Net change in claims provision		85,930	(431,842)
Net change in mathematical reserve		-	(24,395)
Cash Flows from (used in) Operating Activities before Changes in Assets and Liabilities		621,452	(408,241)
(Increase) decrease in Financial Assets:			
Financial assets at fair value through statement of income		(40,054)	-
Checks under collection		(148,910)	(493,437)
Accounts receivable - Net		(359,568)	(110,674)
Companies and re-insurance receivable - debit		(113,416)	99,851
Other assets		(92,166)	(87,843)
Increase (decrease) in Financial Liabilities:			
Accounts payable		139,071	30,426
Accrued Expenses		19,876	4,035
Companies and re-insurance payable - credit		274,376	484,480
Other liabilities		(59,757)	(8,014)
Net Cash Flows from (used in) Operating Activities before taxes and end of service indemnity provision paid		240,904	(489,417)
Taxes paid	10	(4,040)	(4,464)
End of service indemnity paid		-	(2,180)
Net Cash Flows from (used in) Operating Activities		236,864	(496,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Deposits at banks (Maturing in Three Months)		(1,087,519)	(515,947)
Financial assets at amortized cost-net		(300,060)	(72,224)
(Increase) decrease in life policyholders' loans		(11,435)	7,171
(Purchase) of property and equipment		(2,366)	(17,293)
Net Cash Flows (used in) Investing Activities		(1,401,320)	(598,293)
Net (Decrease) in Cash and Cash Equivalents		(1,164,456)	(1,094,354)
Cash and cash equivalents - beginning of the year		7,101,303	9,012,295
Cash and Cash Equivalents - End of the Period	18	5,936,847	7,917,941

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

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

**1. General**

- a. Arabia Insurance Company - Jordan was established in 1975 and registered as a Jordanian Public Shareholding Company under No. (90). with headquarters in Amman - The Hashemite Kingdom of Jordan - Sharif Abdul Hamid Sharaf Street, Shmelsani P.O. 20031 Amman 11118 - Jordan and an authorized capital of JD 2 million divided over 2 million shares, with a par value of JD 1 per share. Moreover, the company's Capital was increased in several stages, the last of which was on February of the year 2008 so that it became JD 8 million divided over 8 million shares.

The company carries out all insurance and reinsurance activities, including fire accidents, marine, credit, vehicles, life, and health insurance.

- b. Pursuant to the resolution of the General Assembly for the shareholders on April 30, 2012, the name of the company was changed on May 31, 2012 to "Arabia Insurance Company - Jordan" instead of "General Arabia Insurance Company".
- c. Arabia Insurance Company - Jordan is 51% owned by Arabia Company (Holding Company - Lebanon).
- d. The accompanying condensed interim financial statements were approved by the Board of Directors at its meeting No. (167) held on April 24, 2017.

**2. Significant accounting policies**

**Basis of preparation of the condensed interim financial statements**

- The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) No. 34 (Interim Financial Reporting).
- The interim condensed financial statements have been prepared according to the historical cost convention except for financial assets and financial liabilities stated at fair value at the date of the interim condensed financial statements.
- The interim condensed financial statements are reported in Jordanian Dinars, which is the Company's functional currency.
- The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read with the Company's annual report as of December 31, 2016. Moreover, the results for the three-months period ended March 31, 2017 do not necessarily provide an indication of the expected results of operations for the year ending December 31, 2017. The company's profits for the three-month period ended March 31, 2017 have not been appropriated; as such appropriations will be made at the end of the year.
- The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with the accounting policies that have been followed for the year ended December 31, 2016 except for the following:
  - Annual improvements to IFRSs issued between 2014 and 2016, which include amendments to IFRS 12.

- Amendments to IAS 12: "Income taxes" relating to the recognition of deferred tax assets for unrealized losses.
- Amendments to IAS 7 "Statement of Cash Flows" which are intended to provide additional disclosures in the statement of cash flows to enable users of the financial statements to assess the change in liabilities arising from financing activities.

The adoption of the above new standards had no impact on the amounts reported disclosures contained in the condensed interim financial statements.

### 3. Use of estimates

Preparation of the condensed interim financial information and application of the accounting policies require the Company's management to perform estimates and judgments that affect the amounts of the financial assets and liabilities, and disclosures relating to contingent liabilities. These estimates and judgments also affect revenues, expenses, provisions investments revaluation reserve. In particular, the Company's management and are required to issue significant judgments to assess expected future cash flows and their timing. The above-mentioned estimates are based on several assumptions and factors with varying degrees of estimation and uncertainty. Moreover, the actual results may differ from the estimates due to changes resulting from the circumstances and situations of those estimates in the future.

We believe that the estimates within the condensed interim financial statements are reasonable and consistent with the estimates used at the end of year 2016.

### 4. Deposits with banks

This item consists of the following:

	March 31, 2017			December 31, 2016	
	Deposits Maturing Within Three Months	Deposits Maturing after Three Months and up to One Year	Deposits Maturing after one year and up to five Years	Total	Total
	JD	JD	JD	JD	JD
Inside Jordan	4,657,085	4,153,290	-	8,810,375	8,735,289

- Interest rates on Bank deposits denominated in Jordanian Dinar range from 2.9% to 4.25% During the period in the year 2017.
- Deposits collateralized to the order of the Director General of the Insurance Commission in addition to his position amounted to JD 325,000 as of March 31, 2017 and December 31, 2016 at Jordan Ahli Bank, and will mature within three months.
- There are no Restricted balances except for deposits mortgaged to the order of the Director General of the Insurance Commission in addition to his position.

5. Financial Assets at Fair Value through Statement of Income

This item consists of the following:

	March 31	
	2017	2016
<u>Inside Jordan:</u>	JD	JD
Quoted shares at Amman Stock Market	1,261,324	1,172,327
	<u>1,261,324</u>	<u>1,172,327</u>

6. Financial Assets at Fair Value through Comprehensive Income

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
<u>Inside Jordan</u>		
Quoted shares at Amman Stock Market	2,681,946	2,561,236
Unquoted shares at Amman Stock Market	62,300	62,300
	<u>2,744,246</u>	<u>2,623,536</u>

7. Financial Assets at Amortized Cost

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
<u>Inside Jordan</u>		
Company's loan debentures and bonds	409,500	109,500
Provision for impairment in value *	(27,375)	(21,900)
	<u>382,125</u>	<u>87,600</u>
<u>Outside Jordan</u>		
Company's loan debenture and bonds	854,540	854,540
Foreign governmental loan debentures and bonds	71,699	71,699
provision for impairment in value *	(11,818)	(9,645)
	<u>914,421</u>	<u>916,594</u>
	<u>1,296,546</u>	<u>1,004,194</u>

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

	For the Three month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
<u>Inside Jordan</u>		
Balance - Beginning of the period / year	31,545	..
Additions during the period / year	7,648	31,545
Balance - End of the Period / Year	<u>39,193</u>	<u>31,545</u>

This table shows the details of financial assets at amortized cost before deducting the provision\*\*

Bonds	Less than one year	more than one year	total	Matured Date	Interest rate
	JD	JD	JD		
specialized Investment company PLC *	-	109,500	109,500	6/6/2020	10%
MAN AHL Diversified Producer's debentures	-	70,900	70,900	N/A	variable Interest
Lebanon bonds	-	71,699	71,699	9/3/2020	6.375%
SBER Bank bonds	-	128,673	128,673	29/10/2022	5.125%
GAZPROM bonds	141,879	-	141,879	17/5/2017	5.625%
TELEMAR bonds	-	67,396	67,396	23/10/2020	5.500%
PETROBRAS bonds	-	71,266	71,266	20/1/2020	5.750%
AL BARAKA TURK bonds	-	157,957	157,957	30/6/2019	6.250%
BAHRAIN bonds	-	144,244	144,244	26/1/2021	5.875%
PEMEX bonds	-	72,225	72,225	4/2/2021	6.375%
Arabian International Hotels Bonds	-	300,000	300,000	22/1/2022	5.50%
	<u>141,879</u>	<u>1,193,860</u>	<u>1,335,739</u>		

\* The maturity of the bonds has been extended for five years to June 6, 2020, and the Interest rate was increased to 10% instead of 9.5%. Moreover, maturity has been extended for the second time from the first maturity on December 6, 2012.

\*\* Analysis of financial assets at amortized cost- net

	March 31, 2017	December 31, 2016
	JD	JD
a. Fixed return	1,225,646	964,839
b. Variable return	70,900	70,900
	<u>1,296,546</u>	<u>1,004,194</u>

#### 8. Accounts Receivable - Net

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Policyholders receivable	4,390,257	4,135,203
Agents receivable	1,226,554	1,113,354
Brokers receivable	1,749	1,844
Employees receivable	6,885	7,223
Other receivables	67,986	76,239
	<u>5,693,431</u>	<u>5,333,863</u>
<u>Less: Provision for Impairment of doubtful debts *</u>	<u>(720,929)</u>	<u>(697,362)</u>
Accounts Receivables - Net	<u>4,972,502</u>	<u>4,636,501</u>

\* Movement on the provision for Impairment receivables is as follows:

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	697,362	708,122
Provision (surplus) during the period / year	23,567	(10,760)
Balance - End of the Period / Year	<u>720,929</u>	<u>697,362</u>

**9. Companies and Re-insurers Receivable - Debit**

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Local insurance companies	628,029	533,234
Foreign re-insurance companies	261,629	243,008
	889,658	776,242
Less: Provision for impairment of re-insurance receivable *	(180,029)	(187,318)
Companies and Re-Insurers Receivable - Net	709,629	588,924

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

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	187,318	163,868
(Surplus) Provision during the period / year	(7,289)	23,450
Balance at end of Period / Year	180,029	187,318

**10. Income Tax**

**a. Income tax provision**

- Movement on the income tax provision was as follows:

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	(54,066)	131,047
Income tax paid on account	4,040	12,000
Income tax expense for the period / year	(33,771)	(197,113)
Balance at the - End of the Period / Year	(83,797)	(54,066)

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

	For the Three-Months Period Ended March 31, 2017	2016
	JD	JD
Income tax expense accrued on the profits of the period	33,771	37,241
Deferred tax assets-net	3,721	11,818
Deferred tax liabilities-net	11,740	11,978
	49,232	61,037

- The income tax for the Company has been settled up to the end of the year 2014. Moreover, the tax returns for the years 2015 and 2016 were filed, and the resulting amounts were paid on time.
- An income tax provision had been calculated and booked for the three month period ended March 31, 2017 in compliance with Jordan Income Tax Law. In the opinion of management and its tax consultant, the company will not have any liabilities greater than the provision at March 31, 2017.

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

	For the Three-Months Period Ended March 31, 2017		For the Year Ended December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the period / year	503,304	121,388	438,714	103,439
Additions	5,865	31,014	110,787	18,574
Disposal	(19,290)	(7)	(46,197)	(625)
Balance at the - End for the Period / Year	<u>489,879</u>	<u>152,395</u>	<u>503,304</u>	<u>121,388</u>

d. Deferred Tax Assets / liabilities

This item consists of the following:

Accounts included	For the Three-Months Period Ended March 31, 2017				March 31, 2017	December 31, 2016
	Balance - beginning of the period	Released amounts	Addition amounts	Balance - End of the Period	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
<b>A-Deferred tax assets</b>						
Provision for doubtful debts	884,680	-	16,278	900,958	216,230	212,323
IBNR provision	1,005,465	13,639	-	991,826	238,038	241,312
End of services Indemnity Provision	108,677	-	511	109,188	26,205	26,082
Revaluation reserve for financial assets at fair value through comprehensive income	40,430	40,430	-	-	-	9,703
Revaluation losses on financial assets at fair value through statement of Income	26,304	26,304	-	-	-	6,313
Impairment losses on financial assets at amortized cost	31,545	-	7,648	39,193	9,406	7,571
	<u>2,097,101</u>	<u>80,373</u>	<u>24,437</u>	<u>2,041,165</u>	<u>489,879</u>	<u>503,304</u>

**B-Deferred tax liabilities \***

Revaluation reserve on financial assets at fair value through comprehensive income	-	-	80,279	80,279	19,267	-
Revaluation on financial assets at fair value through statement of Income	-	-	48,944	48,944	11,747	-
Claims recoveries	505,782	29	-	505,753	121,381	121,388
	<u>505,782</u>	<u>29</u>	<u>129,223</u>	<u>634,976</u>	<u>152,395</u>	<u>121,388</u>

\* Deferred tax liabilities as of March 31, 2017 represent deferred taxes arising from claims expected to be recovered. Gains on revaluation of financial assets at fair value through statement of Income and gains on the revaluation of financial assets at fair value through comprehensive income that appear under cumulative change in fair value item.

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

**11. Accounts Payable**

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Agents payable	69,472	51,303
Employees' payable	8,106	2,932
Brokers payable	413,444	365,432
Clients payable	465,281	400,950
Medical payable	68,896	55,868
Others	144,086	153,729
	<u>1,169,285</u>	<u>1,030,214</u>

**12. Companies and Re-Insurance Payable - Credit**

This item consists of the following:

	March 31, 2017	December 31, 2016
	JD	JD
Local insurance companies	479,838	479,402
Foreign re-insurance companies	1,350,374	1,142,234
Re-Insurers' deposits	956,477	890,677
	<u>2,786,689</u>	<u>2,512,313</u>

**13. Investment Revaluation Reserve - Net After Tax**

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

The details of this item is as follows:

	March 31, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	(30,727)	1,980
Changes in Investment Revaluation Reserve - Net	91,739	(32,707)
Balance - End of Period / Year	<u>61,012</u>	<u>(30,727)</u>

**14. Retained Earnings**

This item consists of the following:

	For the Three Month Period Ended March 31, 2017	For the Year Ended December 31, 2016
	JD	JD
Balance at the beginning of the period / year	1,454,227	975,931
Profit for the year	-	620,965
(Losses) on financial assets at fair value through comprehensive income	-	(64,493)
Transferred to reserves	-	(78,176)
Balance - End of Period / Year	<u>1,454,227</u>	<u>1,454,227</u>

**15. Proposed dividend**

The Board of Directors recommended the distribution of 7.5% of capital as shareholders' dividends from the profit of the year 2016, equivalent to JD 600 thousand and is subject to the approval of the General Assembly.

**16. Net Gain from Financial Assets and Investments**

This item consists of the following:

	For the Three-Months Period Ended March 31,	
	2017	2016
	JD	JD
Interests on financial assets at amortized cost	14,265	22,755
Dividends revenue from financial assets at fair value through statement of Income	-	872
Dividends revenue from financial assets at fair value through comprehensive Income	58,377	82,032
Net change in fair value of financial assets at fair value through statement of Income	48,943	15,679
Provision for impairment in financial assets at amortized cost	(7,648)	-
Investment property depreciation	(13,320)	(13,320)
Rent revenue from Investment property	16,835	-
(Losses) on the disposal of financial assets at fair value through statement of Income	(550)	-
	<u>116,902</u>	<u>108,018</u>

**17. Earnings per Share for the Period**

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

	For the Three-Months Period Ended March 31,	
	2017	2016
	JD	JD
Profit for the period	179,271	193,342
Number shares	8,000,000	8,000,000
Earnings per Share for the Period	<u>0/022</u>	<u>0/024</u>

**18. Cash and Cash Equivalents**

The details of this item are as follows:

	March 31,	
	2017	2016
	JD	JD
Cash on hand and at banks	1,279,762	1,146,875
Add: Deposits at banks maturing within three months	4,657,085	6,771,066
	<u>5,936,847</u>	<u>7,917,941</u>

**19. Transactions with Related Parties**

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

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

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

Items included in the interim condensed statement of financial position:	March 31, 2017			Total	
	Major Shareholders	Board Members	Top Executive Management	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD
Accounts receivable	291	281,502	-	281,793	315,153
Accounts payable	-	79,726	-	79,726	69,242
					For the Three-Month Period Ended March 31, 2016
Items included in the interim condensed statement of income:	For the Three-Month Period Ended March 31, 2017				
Underwriting Premiums	43,704	396,143	271	440,118	573,507
Compensation	-	509,965	-	509,965	483,247
Salaries and Rewards	-	-	53,850	53,850	82,962
Travel and Transportation	-	908	1,098	2,006	1,030

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

Description	March 31,	
	2017	2016
	JD	JD
Salaries, rewards and other benefits	54,948	83,336
Rewards, transportation, and accommodation allowances for members of the board	908	656
	<u>55,856</u>	<u>83,992</u>

## **20. Lawsuits against the Company:**

There were cases against the company to claiming compensation for various accidents. The total value of the cases was JD 14,343,416 as at March 31, 2017 before the courts (JD 14,122,584 as at December 31, 2016). These cases include a case in the amount of JD 12,639,041 in which the other party claims damage due to a fire incident, knowing that the company's share does not exceed 2.5% of that claim in the event of any obligation being met as a result of this claim. In the opinion of the management and counsel of the company, this damage is not covered under the insurance policy issued by the company and that there is no absolute right to claim the other party for the claim in the damage. The Company has taken sufficient provisions to meet any obligations in respect of these cases. Based on the foregoing, in the opinion of the Company's management and counsel, the Company will not incur obligations in excess of the amounts allocated to it under the net claims provision item.

## **21. Contingent Liabilities**

There are commitments by the company against bank guarantees amounting to JD 257,845 as of March 31, 2017 and its cash collateral amounted to JD 1,000 as of that date (bank guarantees amounting to JD 242,740 as of December 31, 2016).

## **22. Segment Analysis**

### **a. Information about the Company's business sectors:**

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

**b. Geographical Distribution Information**

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

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

	Inside Jordan		Outside Jordan		Total	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD	JD
Total Assets	28,058,874	27,002,848	1,119,225	1,100,603	29,178,099	28,103,451
	For the Three-Months Period Ended March 31,		For the Three-Months Period Ended March 31,		For the Three-Months Period Ended March 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total Revenue	3,559,741	3,367,027	251,896	221,085	3,811,637	3,588,112
Capital Expenditures	2,366	17,293	-	-	2,366	17,293

**23. Fair Value Hierarchy**

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

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

Financial Assets	Fair Value		Fair Value Level	Methods of evaluation and inputs used	Significant Intangible Inputs	Relationship between significant intangibles inputs and fair value
	March 31, 2017	December, 31 2016				
	JD	JD				
Financial assets at fair value:						
Financial assets at fair value through statement of income:						
Shares with Quoted Prices	1,261,324	1,172,327	Level 1	As Stock Market	Not Applied	Not Applied
Financial Assets at fair value through comprehensive income:						
Quoted shares	2,681,946	2,561,236	Level 1	As Stock Market	Not Applied	Not Applied
Unquoted shares	62,300	62,300	Level 2	At Cost	Not Applied	Not Applied
Total Financial Assets at Fair Value	4,005,570	3,795,863				

There were no transfers between Level 1 and Level 2 during the the first three month-period of the year 2017 and the year 2016.

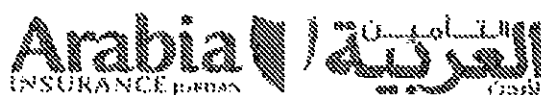
B) Financial Assets and Financial Liabilities not Measured at Fair Value on a Recurring Basis:

C)

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

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>Fair value level</u>
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	
<b>Financial assets not determined at fair value</b>					
Deposits at banks	8,810,375	8,880,581	8,735,289	8,804,857	Level 2
Financial assets at Amortized cost	1,296,546	1,335,751	1,004,194	1,015,358	Level 2
Property Investment	<u>2,269,935</u>	<u>2,366,626</u>	<u>2,283,256</u>	<u>2,366,626</u>	Level 2
<b>Total</b>	<u>12,376,856</u>	<u>12,582,958</u>	<u>12,022,739</u>	<u>12,186,841</u>	

For the Items listed above, fair value of level 2 financial assets at fair value has been determined according to an agreed upon pricing model, which reflects the insurance risk of the dealt with related parties.



**To: Jordan Securities Commission**

## Amman Stock Exchange

**Date:- 17/5/2017**

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ:- ٢٠١٧/٥/١٧

**Subject: Annual Financial Report for the year ended December 31<sup>st</sup>, 2016**

**الموضوع: البيانات المالية للسنة المنتهية في تاريخ**

٣١ كانون الأول ٢٠١٦

Attached please find the English version of the annual report of ARABIA Insurance Co. for the year ended December 31<sup>st</sup>, 2016.

نرفق لكم طيه البيانات المالية للسنة المنتهية بتاريخ ٣١ كانون الأول ٢٠١٦ لشركة التأمين العربية - الأردن باللغة الانجليزية.

**Kindly accept our high appreciation and respect**

**وتفضلوا بقبول فائق الاحترام...**

Mazen A. Abduljalil

**Assistant General Manager  
Finance and Administration**

مازن عبد الجليل عبد الجليل  
مساعد المدير العام  
للشؤون المالية والإدارية



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



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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT

ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN - JORDAN  
DECEMBER 31, 2016

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### **Independent Auditor's Report**

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

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the financial statements of Arabia Insurance Company – Jordan (A Public Shareholding Company), which comprise the statement of financial position as at December 31, 2016, and the statement of Income and other comprehensive Income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the other ethical requirements that are relevant to our audit of the Company's financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters, in our professional judgment, are the most significant matters in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Technical Provisions**

Technical provisions are key audit matters. Moreover, technical provisions amounted to JD 13,243,306, representing around 76% of the amount of liabilities as of December 31, 2016. In addition, the Company assesses technical provisions according to International Financial Reporting Standards and the requirements of regulatory bodies. As such, technical provisions are calculated based on the adopted accounting policies, the Company's estimates, and historical data on claims. The reinsurers' share from the technical provision is recalculated according to the related signed agreement. Furthermore, Executive Management appoints a certified actuary and a loss adjuster to periodically review the adequacy of the technical provisions.

**Provision for Accounts Receivable**

The provision for accounts receivable is a key audit matter. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to JD 4,636,501, representing approximately 16.5% of the assets amount as of December 31, 2016.

The nature and characteristics of accounts receivable are varied. They include policyholders, agents, intermediaries, related parties, and other receivables. This requires making assumptions and using estimates to take the provision for the impairment in those receivables.

**Scope of Audit to Address Risks**

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

**Scope of Audit to Address Risks**

The followed audit procedures included understanding accounts receivable and testing the adopted internal control system in following up on and monitoring credit risks. The procedures also included reviewing the internal control procedures relating to calculating the impairment provision for accounts receivable. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed those factors with Executive Management. We also selected a sample of those receivables after taking into consideration the risks related to the payment method and guarantees. In addition, we discussed with management some receivables with regard to the customer's expected cash flows and the adequacy of guarantees. Meanwhile, we recalculated the provisions to be taken and reviewed the aging of and movement on receivables, and the adequacy of the related disclosure.

**Other Information**

Management is responsible for other information which comprises information in the annual report excluding the financial statements and the independent auditor's report thereon. Furthermore, we expect the annual report to be made available to us after the date of our audit report. Our opinion on the financial statements does not cover other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available to us. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control.

# Deloitte.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard procedures.

From the matters communicated with those charged with governance, we determine those matters of most significance in the audit of the financial statements of the current year, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal Regulatory Requirements

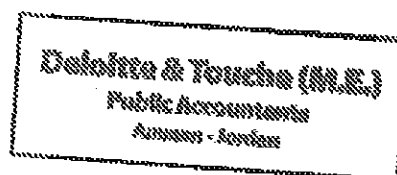
The Company maintains proper accounting records and entries that comply, in all material respects, with the accompanying financial statements, and we recommend that they be approved by the General Assembly of shareholders.

## Other Matter

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

Amman -- Jordan  
March 8, 2017

*Deloitte & Touche*  
Deloitte & Touche (M.E.) - Jordan



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

<u>ASSETS</u>	<u>Note</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>JD</u>	<u>JD</u>
Deposits at banks	4	8,735,289	7,670,974
Financial assets at fair value through statement of income	5	1,172,327	1,058,950
Financial assets at fair value through comprehensive income	6	2,623,536	2,744,813
Financial assets at amortized cost	7	1,004,194	1,261,354
Investment property	8	2,283,255	2,345,123
Life insurance policyholders' loans	9	17,679	24,306
Total Investments		<u>15,836,280</u>	<u>15,105,520</u>
Cash on hand and at banks	10	1,431,785	1,884,352
Cheques under collection	11	1,685,055	948,293
Receivables - net	12	4,636,501	3,593,873
Re-insurance and local insurance companies' accounts receivable	13	588,924	677,093
Deferred tax assets	14/C	503,304	438,714
Property and equipment - net	15	2,736,419	2,833,383
Intangible assets - net	16	7,493	8,857
Other assets	17	677,690	734,608
TOTAL ASSETS		<u>28,103,451</u>	<u>26,224,693</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES

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

<u>ASSETS</u>	<u>Note</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
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Intangible assets - net	16	7,493	8,857
Other assets	17	677,690	734,608
<b>TOTAL ASSETS</b>		<u><b>28,103,451</b></u>	<u><b>26,224,693</b></u>
<u><b>LIABILITIES AND SHAREHOLDERS' EQUITY</b></u>			
<u><b>LIABILITIES</b></u>			
Unearned premiums reserve - net		5,669,457	5,503,920
Claims reserve - net		7,004,966	6,990,861
Mathematical reserve - net	18	568,883	515,416
Total Insurance Contracts Liabilities		<u>13,243,306</u>	<u>13,010,197</u>
Payables	19	1,030,214	854,949
Accrued expenses		47,642	40,418
Re-insurance and local insurance companies' accounts payable - credit	20	2,512,313	1,794,935
End-of-services provision	21	108,677	36,643
Provision for income tax	14/A	54,066	.
Deferred tax liabilities	14/C	121,388	103,439
Other liabilities	22	228,329	150,361
<b>TOTAL LIABILITIES</b>		<u><b>17,345,935</b></u>	<u><b>15,990,942</b></u>
<u><b>SHAREHOLDERS' EQUITY</b></u>			
Authorized and paid-up capital	23	8,000,000	8,000,000
Statutory reserve	24	1,159,299	1,081,123
Voluntary reserve	24	174,717	174,717
Investments valuation reserve - net after tax	25	(30,727)	1,980
Retained earnings	26	1,454,227	975,931
Total Shareholders' Equity		<u>10,757,516</u>	<u>10,233,751</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>28,103,451</b></u>	<u><b>26,224,693</b></u>

Chairman of the Board of Directors

General Manager

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

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

	Note	For the Year Ended December 31,	
		2016	2015
<b>Revenue:</b>		<b>JD</b>	<b>JD</b>
Gross written premiums		19,486,043	17,771,066
Less: Re-Insurers' share		7,272,231	5,320,418
Net Written Premiums		12,213,812	12,450,648
Net change in unearned premiums reserve		(165,537)	(14,128)
Net change in mathematical reserve		(53,467)	23,501
Net Written Revenue Premiums		11,994,808	12,460,021
Commissions' revenue		852,333	634,255
Insurance policies issuance fees		776,618	617,931
Interest income	28	318,299	359,744
Net gain(Loss) from financial assets and investments	29	209,440	(49,978)
Other revenue	30	226,092	223,597
<b>Total Revenue</b>		<b>14,377,590</b>	<b>14,245,570</b>
<b>Claims, Losses and Expenses:</b>			
Paid claims		14,025,618	13,230,347
Add: Entitlement and qualifying policies		26,510	65,995
Less: Claims recoveries		1,548,762	2,341,316
Re-Insurers' share		3,065,658	1,376,192
Net paid claims		9,437,708	9,578,834
Net change in claims reserve		(63,285)	698,296
Allocated employees' expenses	31	1,216,752	1,065,077
Allocated general and administrative expenses	32	547,210	535,165
Excess of loss premiums		198,329	338,758
Policies acquisition cost		1,545,197	1,359,624
Other expenses related to underwriting		118,900	36,000
<b>Net Claims Costs</b>		<b>13,000,819</b>	<b>13,611,754</b>
Unallocated employees' expenses	31	304,188	266,269
Depreciation and amortization	15,16	141,324	138,340
Unallocated general and administrative expenses	32	136,805	133,791
Provision for impairment in receivables and re-insurance and local insurance companies' accounts receivable	12,13	12,690	(3,325)
<b>Total Expenses</b>		<b>595,007</b>	<b>535,075</b>
<b>Income for the Year before Tax</b>		<b>781,764</b>	<b>98,741</b>
Income tax expense	14/B	(160,799)	21,175
<b>Income for the Year</b>		<b>620,965</b>	<b>119,916</b>
<b>Earnings per Share for the Year</b>	33	<b>0.078</b>	<b>0.015</b>

Chairman of the Board of Directors

General Manager

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

	For the Year Ended	
	December 31,	
	2016	2015
	JD	JD
Income for the year	620,965	119,916
Other Comprehensive Income Items:		
Items not subsequently transferable to statement of income		
Net change in investments valuation reserve	(32,707)	(92,649)
(Loss) on the disposal of financial assets at fair value through		
statement of other comprehensive income	(64,493)	-
Total Comprehensive Income for the Year	<u>523,765</u>	<u>27,267</u>

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

**AMMAN - JORDAN**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Paid - up Capital		Statutory Reserve		Voluntary Reserve		Investment Valuation Reserve		Retained Earnings	
	JD		JD		JD		JD		Realized	Unrealized
<i>For the Year Ended December 31, 2016</i>										
Balance - beginning of the year	8,000,000	1,081,123	174,717	1,980			370,477	505,454	975,931	10,233,751
Profit for the year	-	-	-	-	-	-	620,965	-	620,965	620,965
Change in investment valuation reserve (Losses) from financial assets at fair value through comprehensive income	-	-	-	-	(31,707)	-	-	-	-	(32,707)
Total Comprehensive Income for the Year	-	-	-	-	-	-	(64,493)	-	(64,493)	(64,493)
Transferred to statutory reserve	-	78,176	-	-	(32,707)	-	556,472	-	556,472	523,765
Transferred during the year	-	-	-	-	-	-	(78,176)	-	(78,176)	-
Balance - End of the Year	8,000,000	1,159,299	174,717	1,980	-	-	796,153	523,620	1,454,227	10,757,516
<i>For the Year Ended December 31, 2015</i>										
Balance - beginning of the year	8,000,000	1,071,249	174,717	94,629	-	-	598,892	826,997	1,425,889	10,766,484
Profit for the year	-	-	-	-	-	-	119,916	-	119,916	119,916
Change in investment valuation reserve	-	-	-	-	(92,649)	-	-	-	-	(92,649)
Total Comprehensive Income for the Year	-	-	-	-	(92,649)	-	119,916	-	119,916	27,267
Transferred to statutory reserve	-	9,874	-	-	-	-	(9,874)	-	(9,874)	-
Dividends	-	-	-	-	-	-	(568,000)	-	(568,000)	(568,000)
Transferred during the year	-	-	-	-	-	-	221,545	(221,545)	-	-
Balance - End of the Year	8,000,000	1,081,123	174,717	1,980	-	-	879,877	605,454	975,931	10,233,751

\* Retained earnings includes JD 154,770 as of December 31, 2016, representing the cumulative change in fair value transferred to retained earnings as a result of applying IFRS 9. This amount may not be used according to the Jordan Securities Commission's instructions.

\* Retained earnings includes JD 503,304 as of December 31, 2016, restricted against tax assets (JD 438,714 as of December 31, 2015).

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

	Note	For the Year Ended December 31,	
		2016	2015
		JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income for the year before tax		781,764	98,741
Adjustments:			
Depreciation and amortization	15,16	141,324	138,340
Investment property depreciation	29	53,280	53,280
End-of-service provision	21	103,949	13,019
Provision for (Recovered from) Impairment in accounts receivable and re-insurance accounts	12,13	12,690	(3,325)
Loss on valuation of financial assets at fair value through income statement	29	26,304	223,304
Loss on the impairment provision of financial assets at amortized cost	29	31,545	-
(Gains) on the disposal of investment property	29	(21,000)	-
Losses (Gains) on sale of property and equipment	30	53	(40,998)
Net change in unearned premiums		165,537	14,128
Net change in claims provision		(63,285)	698,296
Net change in mathematical reserve		53,467	(23,501)
Cash Flows from Operating Activities before Changes in Assets and Liabilities		1,205,628	1,171,284
Increase (decrease) in Financial Assets:			
Financial assets at fair value through income statement		(139,681)	24,500
Checks under collection		(736,762)	(239,411)
Receivables - net		(1,031,868)	68,648
Re-insurance companies' accounts receivable		64,719	111,679
Other assets		3,261	16,908
Increase (Decrease) in Financial Liabilities:			
Payables		175,265	61,600
Accrued expenses		7,224	12,430
Re-insurance companies' accounts payable		717,378	276,840
Other liabilities		77,968	(17,718)
Net Cash Flows from Operating Activities before Tax and End-of-Service Indemnity Paid		423,132	1,486,760
Tax paid	14	(12,080)	(102,694)
End-of-Service Indemnity paid	21	(31,915)	(12,793)
Net Cash Flows from Operating Activities		379,217	1,371,273
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Deposits at banks (maturing within three months)		(2,522,740)	1,379,860
Financial assets at fair value through comprehensive income		13,750	-
Financial assets at amortized cost-Net		225,615	(252,160)
Decrease in life insurance policyholders' loans		6,827	11,061
(Purchase of) property and equipment	15	(41,849)	(58,706)
Proceeds from sale of property and equipment		1,400	41,000
(Additions) to intangible assets	16	(2,600)	(108)
(Additions) to investment property		-	(375)
Proceeds from disposal of investment property		29,588	-
Net Cash Flows (used in) Investing Activities		(2,290,219)	1,120,572
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends		-	(542,279)
Total Cash Flows (used in) Financing Activities		-	(542,279)
Net (Decrease) Increase in Cash and Cash Equivalents		(1,910,992)	1,949,566
Cash and cash equivalents - beginning of the year		9,012,295	7,062,729
Cash and Cash Equivalents - End of the Year	34	7,101,303	9,012,295

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

ASATA INSURANCE COMPANY - HONGKONG  
 (A PUBLIC SUBSIDIARY OF LIMITED COMPANY)  
 ANNUAL REPORT 2016

STATEMENT OF UNDERWRITING RESULTS FOR GENERAL INSURANCE ACTIVITIES

	Motor			Marine and Transportation			Fire and Other			Others			Credit			Medical			Total
	For the year ended December 31,			For the year ended December 31,			For the year ended December 31,			For the year ended December 31,			For the year ended December 31,			For the year ended December 31,			
	2016	2015	20	2016	2015	20	2016	2015	20	2016	2015	20	2016	2015	20	2016	2015	20	
Written premiums:																			
Direct business	9,986,931	8,941,224		844,914	595,475		1,250,675	1,112,499		438,308	383,970		277,978	174,841		2,532,005	2,940,617		15,730,715
Re-insurers' ceded business	1,070,228	1,119,617		4,678	5,683		563,989	404,728		17,008	9,363		-	-		-	-		15,730,715
Gross Earned Premiums	11,057,159	10,060,841		849,592	597,153		1,814,664	1,517,227		455,316	393,333		277,978	174,841		2,532,005	2,940,617		15,730,715
Less: Local re-insurers' share	392,152	1,083,291		13,952	13,914		636,443	465,923		86,810	60,475		-	-		51,492	392,561		1,855,854
Foreign re-insurers' share	-	-		709,641	457,585		1,024,778	802,811		265,528	259,607		-	-		1,634,047	1,415,735		1,738,609
Net Earned Premiums	10,665,007	8,977,550		121,137	115,654		163,386	148,593		103,978	79,251		277,978	174,841		846,566	1,132,341		13,155,551
Add: Unearned premiums reserve - beginning of the year	4,465,251	4,349,085		157,094	168,911		799,486	537,380		370,554	452,119		42,282	9,789		1,526,279	1,615,411		7,261,856
Less: Re-insurers' share - beginning of the year	311,362	301,755		115,632	112,435		746,519	448,914		200,273	384,552		40,168	5,370		328,584	385,816		7,132,675
Net Unearned Premiums Reserve - Beginning of the Year	4,154,951	4,047,330		27,502	56,475		50,867	89,466		70,331	67,467		2,114	489		1,197,695	1,229,595		5,829,176
Local Unearned premiums reserve - end of the year	5,176,504	4,466,251		239,105	157,804		937,148	799,486		252,729	270,554		27,882	42,282		1,444,135	1,506,279		8,126,312
Re-insurers' share - end of the year	294,653	311,300		200,097	129,612		900,379	748,519		194,002	200,233		26,307	40,168		881,927	979,584		7,261,856
Net Unearned Premiums Reserve - End of the Year	4,881,841	4,154,951		29,008	27,972		55,769	50,967		108,728	70,321		1,585	2,114		562,208	528,695		7,261,856
Net Revenue from the Underwriting Premiums	9,338,117	8,885,929		120,103	144,167		137,466	185,872		66,073	58,357		34,625	4,617		1,721,732	2,438,451		11,719,513

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

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

**STATEMENT OF COMPENSATIONS COST FOR VARIOUS INSURANCE ACTIVITIES**

	Motor		Marine and Transportation		Fire and Other Damages to Properties		Others		Credit				Medical		Total
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	
Paid Commissions	9,344,655	8,486,575	1,23,577	58,745	45,561	366,850	79,353	47,845	446,759	74,562	2,616,725	2,357,162	12,660,080	12,391,530	
Less: Recoveries	1,989,494	1,482,468	1,639	6,797	1,746	845,928	8,190	5,092	-	-	147,391	202,871	1,548,762	2,341,318	
Local re-insurers' share	513,557	443,312	59,212	-	693	(240,208)	5,856	(7,308)	-	-	320,211	362,264	944,545	452,060	
Foreign re-insurers' share	-	-	24,437	-	30,975	(20,977)	59,134	25,228	819,873	70,634	540,278	1,771	1,698,284	101,264	
Net Paid Commissions	7,436,604	6,759,295	33,405	27,521	12,441	83,997	5,153	19,863	22,036	3,728	1,688,255	2,250,856	9,115,895	9,185,273	
Add: Commissions Provision - End of the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reported	6,031,600	6,356,587	62,046	67,556	1,731,355	817,057	1,173,100	1,038,100	1,038,100	442,710	278,230	85,672	8,935,424	9,952,980	
Not reported	528,010	650,000	10,000	10,000	18,000	10,000	10,000	10,000	-	-	52,465	96,771	1,005,465	776,773	
Less: Re-insurers' share - end of the year	535,791	670,579	45,895	45,895	1,595,344	580,422	917,549	103,649	103,649	419,675	185,236	11,410	3,117,912	3,745,789	
Recoveries of claims	498,253	439,802	-	-	-	-	-	-	7,500	7,500	-	-	595,282	479,292	
Net Commissions Provision - End of the Year	5,920,537	5,913,016	25,152	35,651	66,846	176,635	265,451	265,451	13,045	14,535	345,159	171,033	6,217,294	5,435,476	
Reported	4,997,557	5,263,218	15,153	26,581	41,845	35,860	166,635	255,451	(2,045)	14,535	91,704	74,262	5,311,829	5,678,705	
Not reported	523,000	550,000	10,000	10,000	13,000	16,000	10,000	10,000	-	-	53,465	96,771	2,905,465	776,771	
Less: Re-insurers' share - Beginning of the Year	5,354,507	5,179,407	67,566	70,190	1,731,253	1,621,023	1,173,100	1,184,327	440,736	-	85,672	85,799	9,852,890	8,322,737	
Recoveries of claims	650,000	750,000	10,000	10,000	10,000	10,000	10,000	10,000	-	-	85,672	85,799	776,771	869,069	
Net Commissions Provision - Beginning of the Year	670,579	422,526	48,985	50,915	1,680,395	1,756,253	917,649	909,454	413,679	-	11,410	10,670	3,745,753	3,150,221	
Recoveries of claims	422,526	222,222	-	-	-	-	-	-	7,280	-	-	-	429,221	309,252	
Net Commissions Provision - Beginning of the Year	3,663,415	3,332,236	36,381	36,381	26,720	26,720	265,451	265,451	14,300	-	171,233	145,125	3,435,426	3,232,828	
Less: Re-insurers' share - Beginning of the year	2,444,125	1,676,965	10,000	10,000	1,680,395	1,750,253	917,649	909,454	413,679	-	11,410	10,670	2,732,223	2,341,318	
Recoveries of claims	422,526	222,222	-	-	-	-	-	-	7,280	-	-	-	429,221	309,252	
Net Commissions Cost	1,218,864	1,655,141	26,381	26,381	186,445	186,445	366,222	366,222	3,520	-	159,823	134,455	2,660,352	2,660,352	

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

ASANA INSURANCE COMPANY - YERLAN  
LA FINEST SHARSHADIN LIMITED COMPANY

ARMAN - YERLAN

STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL STATEMENTS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708
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ARABIA INSURANCE COMPANY - JORDAN  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING REVENUES FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2016	2015
	JD	JD
Written Premiums:		
Direct premium	1,403,901	1,409,680
Re-insurers' inward premium	<u>695,533</u>	<u>747,354</u>
Gross Written Premiums	2,099,434	2,157,034
<u>Less:</u> Local re-insurers' share	486,458	517,314
<u>Less:</u> Foreign re-insurers' share	<u>1,052,837</u>	<u>922,713</u>
Net Written Premiums	<u>560,139</u>	<u>717,007</u>
<u>Add:</u> Mathematical reserve - beginning of the year	553,178	582,072
<u>Less:</u> Re-insurers' share - beginning of the year	<u>37,762</u>	<u>43,155</u>
Net Mathematical Reserve - beginning of the year	<u>515,416</u>	<u>538,917</u>
<u>Add:</u> Mathematical reserve - end of the Year	642,438	553,178
Re-insurers' share - end of the year	<u>73,555</u>	<u>37,762</u>
Net mathematical reserve - end of the year	<u>568,883</u>	<u>515,416</u>
Net Earned Revenue from Written Premiums - page 16	<u>506,672</u>	<u>740,508</u>

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

AMMAN - JORDAN

STATEMENT OF PAID CLAIMS COST FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2016	2015
	JD	JD
Paid compensation	1,365,538	1,138,717
Policy maturity and settlement	26,510	65,995
<u>Less: Foreign re-Insurers' share</u>	<u>1,071,325</u>	<u>811,848</u>
Net Paid Compensation	<u>320,723</u>	<u>392,864</u>
 <u>Add: Reported claims reserve - end of the year</u>	 718,730	 711,729
Unreported claims reserve - end of the year	-	-
<u>Less: Re-Insurers' share</u>	<u>536,840</u>	<u>604,736</u>
Net Outstanding Claims Reserve - End of the Year	<u>181,890</u>	<u>106,993</u>
Reported	181,890	106,993
Unreported	-	-
 <u>Add: Reported claims provision - beginning of the year</u>	 711,729	 395,478
Unreported claims provision - beginning of the year	-	-
<u>Less: Re-Insurers' share</u>	<u>604,736</u>	<u>263,628</u>
Net Claims Reserve - Beginning of the Year	<u>106,993</u>	<u>131,850</u>
Net Compensation Cost - page 16	<u>395,620</u>	<u>368,007</u>

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

STATEMENT OF UNDERWRITING PROFIT FOR LIFE INSURANCE ACTIVITIES

	For the Year Ended	
	December 31,	
	2016	2015
	JD	JD
Net earned revenue from written premiums	506,672	740,508
<u>Less: Net Compensation cost</u>	<u>395,620</u>	<u>368,007</u>
	<u>111,052</u>	<u>372,501</u>
<u>Add: Received commissions</u>	38,629	15,464
Insurance policies Insurance fees	24,574	24,438
Interest payable and investment income attributable to the written premiums	39,071	59,207
Other revenue	25,779	-
Total Revenue	<u>128,053</u>	<u>99,109</u>
<u>Less: Paid commissions</u>	42,016	50,930
Administrative expenses related to underwriting accounts	190,051	194,236
Total Expenses	<u>232,067</u>	<u>245,166</u>
Net Underwriting Profit	<u>7,038</u>	<u>226,444</u>

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

AMMAN - JORDAN

STATEMENT OF FINANCIAL POSITION FOR LIFE INSURANCE ACTIVITIES

<u>ASSETS</u>	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Deposits at banks	1,000,000	698,538
Financial assets at fair value through the income statement	96,250	50,750
Financial assets at fair value through the comprehensive income	141,651	138,533
Life Insurance policyholders' loans	17,679	24,306
Total Investments	<u>1,245,580</u>	<u>912,127</u>
Accounts receivable - net	163,299	139,677
Re-insurance companies' accounts - debit	89,163	57,138
<b>TOTAL ASSETS</b>	<u><b>1,498,042</b></u>	<u><b>1,108,942</b></u>
<u>LIABILITIES AND HEAD OFFICE'S EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable	15,068	23,694
Re-insurance companies' accounts - credit	112,480	229,815
<u>TECHNICAL RESERVES</u>		
Outstanding claims provision - net	181,890	106,993
Mathematical provision - net	568,883	515,416
<b>TOTAL LIABILITIES</b>	<u><b>878,321</b></u>	<u><b>875,918</b></u>
<u>HEAD OFFICE'S EQUITY</u>		
Head Office's current account	612,683	6,580
Income for the year	7,038	226,444
Total Head Office's Equity	<u>619,721</u>	<u>233,024</u>
<b>TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY</b>	<u><b>1,498,042</b></u>	<u><b>1,108,942</b></u>

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

**ARABIA INSURANCE COMPANY - JORDAN**  
**(A PUBLIC SHAREHOLDING LIMITED COMPANY)**  
**AMMAN - JORDAN**  
**NOTES TO FINANCIAL STATEMENTS**

**1. General**

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

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

- b. The Company is 51% owned by a holding Company in Lebanon.

The Company's address is P.O. Box 20031, Abdel Hameed Sharaf Street, AlShmaisani, - 11118 Amman, Jordan.

- c. The accompanying financial statements were approved by the Board of Directors on February 28, 2017, and are subject to the approval of the General Assembly of Shareholders.

**2. Accounting Policies**

**Basis of Preparation**

- The financial statements have been prepared according to the standards issued by the International Accounting Standards Board, applicable local laws, as well as the forms prescribed by the Jordan Insurance Commission.
- The financial statements have been prepared according to the historical cost convention, except for financial assets and liabilities, which are stated at fair value as of the date of the financial statements.
- The Jordanian Dinar is the functional and reporting currency of the financial statements.
- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2015, except for what is mentioned in Note (43.a).

The following are the significant accounting policies:

**Sector Information**

- The business sector represents a set of assets and operations that jointly provide products and services subject to risks and returns different from those of other business sectors.
- The geographic sector relates to the provision of products and services in a defined economic environment subject to risks and returns different from those of other economic environments.

**Date of Recognition of Financial Assets**

Purchase and sale of financial assets are recognized on the trading date (the date on which the Company commits to sell or purchase the financial assets).

Fair Value

Fair value represents the closing market price (acquisition of assets/ sale of liabilities) on the date of the financial statements in active markets for financial assets with a market value.

In case declared market prices do not exist, active trading of some financial assets is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

The evaluation methods aim at providing a fair value reflecting the expectations of the market, expected risks, and expected benefits. Moreover, financial assets, the fair value of which cannot be reliably measured, are stated at cost less any impairment.

Financial Assets at Amortized Cost

- Financial assets at amortized cost are financial assets that the Company aims to hold within the context of its business model to collect contractual cash inflows from the debt principal plus interest on the outstanding debt balance.
- Financial assets at amortized cost are recorded at amortized cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized, using the effective interest rate method, and recorded to interest or in its account. Any provisions resulting from the decline in value of these investments leading to the recoverability of the assets, or part thereof, are deducted, and any impairment is taken to the statement of income.
- Impairment in financial assets recorded at amortized cost is determined on the basis of the difference between the carrying amount and the present value of the expected cash flows discounted at the effective interest rate.

Financial Assets at Fair Value through Income Statement

- Financial assets at fair value through the income statement represent shares and bonds held by the Company for trading and achieving gains from short-term fluctuations in market prices or gains from margin trading.
- Financial assets at fair value through the income statement are initially stated at fair value on the purchase date (purchase costs are recorded in the statement of income upon purchase). They are subsequently re-measured to fair value as of the date of the financial statements. Moreover, changes in fair value are recorded in the statement of income, including the fair value change resulting from the translation of non-monetary assets denominated in foreign currencies. Gains or losses resulting from the sale of these financial assets, or part thereof, are taken to the statement of income.

Dividends and interest from these financial assets are recorded in the statement of income.

#### Impairment in Financial Assets

The Company reviews the values of recorded financial assets at the date of the statement of financial position to determine if there are any indications to the impairment in their value individually or as a portfolio.

In case such indications exist, the recoverable amount is estimated to determine the amount of impairment loss.

#### Financial Assets at Fair Value through the Statement of Comprehensive Income

- Financial assets at fair value through the statement of comprehensive income represent the strategic investments in the Company's shares held for long-term purposes and not for trading.
- Financial assets at fair value through the statement of comprehensive income are stated at fair value plus acquisition expenses at the date of acquisition. Moreover, these assets are revalued at fair value. The change in fair value is stated in the statement of comprehensive income and within shareholders' equity, including change in fair value resulting from the exchange differences on non-monetary assets denominated in foreign currencies. In case these assets, or part thereof, are sold, the gains / losses arising therefrom are taken to the statement of comprehensive income and within shareholders' equity. Furthermore, the financial assets revaluation reserve balance relating to equity instruments is directly taken to retained earnings / accumulated losses but not through the statement of income.
- These assets are not subject to impairment test.
- Dividends are taken to the income statement unless these dividends clearly represent partial recovery of all the investments.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, and balances at banks and deposits at banks maturing within three months, less restricted balances.

#### Re-insurers' Accounts

Re-insurers' shares of insurance premiums, claims paid, technical provisions, and all other rights and obligations resulting from re-insurance based on contracts concluded between the Company and re-insurers are accounted for on the accrual basis.

#### Impairment in Re-insurance Assets

In case there is any indication as to the impairment of the re-insurance assets of the Company, which possesses the reinsured contracts, the Company has to reduce the present value of the contracts and record the impairment loss in the statement of income. The impairment is recognized in the following cases only:

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

#### Acquisition Costs of Insurance Policies

Acquisition costs represent the costs incurred by the Company against selling, underwriting, or starting new insurance contracts. The acquisition costs are recorded in the statement of income.

Real Estate Investments

Real estate investments (excluding land) are stated at cost net of accumulated depreciation. Moreover, these investments are depreciated over their useful lives at an annual rate of 2% to 10%. In addition, impairment in their value is taken to the statement of income. The operating revenues or expenses of these investments are included in the statement of income.

Real estate investments are evaluated according to the decisions issued by the Insurance Commission, and their fair value is disclosed in the financial statements.

In case of an increase in the fair value of the real estate investments for which an impairment provision was taken in the previous periods, the previously booked impairment losses are recorded for no more than recorded cost or fair value, whichever is lower.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any accumulated impairment. Moreover, property and equipment (except for land) are depreciated, when ready for their intended use, according to the straight-line method over their estimated useful lives using the following annual rates. In addition, the depreciation expense is recorded in the statement of income:

	%
Buildings	2
Machinery and equipment	10
Vehicles	12
Computers	15
Furniture	6
Air Conditions	10
Decorations	15
Elevator	10
Safety System	12
Posters and placards	20
Transformers and generators	10

Property and equipment are depreciated when ready for their intended use.

Property and equipment under construction, for the Company's use, are stated at cost net of accumulated impairment.

When the carrying amounts of property and equipment exceed their recoverable values, assets are written down, and impairment losses are recorded in the statement of income.

The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.

The gain or loss resulting from the disposal or derecognition of property and equipment, representing the difference between the property and equipment sale proceeds and their book value, is recorded in the statement of income.

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

### Intangible Assets

Intangible assets obtained through merger are stated at fair value on their acquisition date.

Intangible assets obtained through other than merger are stated at cost. They are classified according to their estimated lives: definite or indefinite. Intangible assets with a definite useful life are amortized over their useful life or for an indefinite period, and amortization is recorded in the statement of income. Intangible assets with indefinite lives are reviewed for impairment at the date of the financial statements, and the impairment is recorded in the statement of income.

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

Intangible assets include computer systems and programs. The Company's management estimates the useful lives of these assets which are amortized according to the straight-line method at 12% annually.

### Provisions

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

Amounts recognized as provisions represent the best evaluation of the amounts required to settle the obligation as of the financial statements date, taking into consideration risks and the uncertainty relating to the obligation. When the provision amount is determined on the basis of the expected cash flows for the settlement of the current obligation, its book value represents the present value of these cash flows.

When it is expected that some or all of the economic benefits required from other parties to settle the provision will be recovered, the receivable is recognized within assets if receipt of the compensations is actually certain and their value can be reliably measured.

### Technical Reserves

Technical reserves are taken and maintained according to the regulations of the Insurance Regulatory Commission as follows:

1. The reserve for unearned premiums for general insurance activities is calculated according to the remaining days up to the expiry date of the insurance policy on the basis of a 365-day per year, except for marine and land transport insurance for which the provision is calculated on the basis of written premiums of the effective policies and in accordance with related laws and regulations on the date of the financial statements.
2. The reserve for reported claims is computed through determining the maximum total expected costs for each claim on an individual basis.
3. Additional reserves for premiums and unreported claims are calculated based on the Company's experience and estimates.
4. The reserve for unearned premiums for life insurance activities is calculated based on the Company's experience and estimates.
5. The mathematical reserve for life insurance policies is calculated based on the actuarial equations which are reviewed periodically by an independent actuary.

Impairment of Receivables

Provision for receivables impairment is taken when there is objective evidence that whole or part of these debts has become irrecoverable. The provision is calculated as the difference between the book value and recoverable value according to the percentage approved by the Company's management based on the aging of receivables at the financial statements date.

End-of-Service Indemnity Provision

End-of-service indemnity provision is calculated based on the internal regulations prepared by the Company in accordance with the Jordanian Companies Law. Annual compensations paid to the employees who leave work are charged to the end-of-service indemnity provision when paid. Moreover, an allowance for the liabilities due from the Company in connection with end-of-services compensation is taken to the statement of income.

Liability Adequacy Test

At the date of the statement of financial position, the adequacy and suitability of the insurance liabilities are evaluated through the calculation of the present value of the future cash flows relating to the outstanding insurance policies.

If the evaluation shows that the present value of the insurance liabilities (various purchase expenses less suitable and related intangible assets) is inadequate compared to the expected future cash flows, the full impairment is recorded in the statement of income.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

Accrued Taxes

Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the statement of income since the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, as well as unallowable and non-taxable items.

Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions in the Hashemite Kingdom of Jordan.

Deferred Taxes

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value of the taxable amount.

Deferred taxes are calculated according to the statement of financial position liability method based on the tax rates expected to be applied at the tax settlement date or the realization of the deferred tax assets or liabilities.

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

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position only when there are legal rights to offset the recognized amounts, the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Revenue RecognitionInsurance Contracts

Insurance premiums arising from insurance contracts are recorded as revenue for the year (earned insurance premiums) on the basis of the maturities of time periods and in accordance with the insurance coverage periods. Unearned insurance premiums from insurance contracts at the date of the financial statements are recorded as unearned insurance premiums within liabilities.

Claims and incurred losses settlement expenses are recorded in the statement of income based on the expected liability amount of the compensation relating to the insurance policyholders or other affected parties.

Dividends and Interest

Dividends from investments are recorded when the right of the shareholders to receive dividends arises upon the related resolution of the General Assembly of Shareholders.

Interest income is calculated according to the accrual method based on the maturities of the time periods, principals, and earned interest rate.

Expense Recognition

All commissions and other costs relating to the acquisition of new or renewed insurance policies are amortized in the statement of income upon their occurrence. Other expenses are recognized on the accrual basis.

Insurance Reimbursement

Insurance compensations represent all amounts paid during the year whether they relate to the current year or previous years. Moreover, outstanding claims represent the highest estimated amount for settlement of all claims resulting from events prior to the financial statements date but still unsettled at that date. Moreover, outstanding claims are calculated on the basis of the best information available at the date of the financial statements and include the provision for unreported claims.

Salvage and Subrogation Reimbursements

Estimates of salvage and subrogation reimbursements are not considered as an allowance in the measurement of the insurance liability for claims.

General and Administrative Expenses

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

Employees Expenses

80% of employees expenses are distributed to the various insurance departments on the basis of the earned premiums of each department in proportion to total premiums.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates of the Jordanian dinar prevailing at the transaction date.

Financial assets and financial liabilities denominated in foreign currencies are translated to Jordanian dinar according to the average exchange rates issued by the Central Bank of Jordan at the date of the statement of financial position.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated at fair value at the date of the determination of their fair value.

Exchange gains or losses resulting therefrom are taken to the statement of income.

The resulting differences from non-monetary assets and non-monetary liabilities are taken as part of the change in fair value.

### 3. Use of Estimates

Preparation of the financial statements and application of the accounting policies require the Company's management to perform estimates and judgments that affect the amounts of the financial assets and liabilities, and disclosures relating to contingent liabilities. These estimates and judgments also affect revenues, expenses, provisions and changes in the fair value shown within comprehensive income and shareholders' equity. In particular, management is required to issue significant judgments to assess future cash flows and their timing. The aforementioned estimates are based on several assumptions and factors with varying degrees of estimation and uncertainty. Moreover, the actual results may differ from the estimates due to changes resulting from the circumstances and situations of those estimates in the future.

Management believes that the estimates within the financial statements are reasonable. The details are as follows:

- A provision for accounts receivable is taken according to the various assumptions and bases adopted by management to evaluate the required provision as per International Financial Reporting Standards.
- The financial year and its related income tax expenses is charged according to the prevailing laws and regulations in the Kingdom.
- Management periodically revalues the productive lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of those assets and estimates of their expected productive lives in the future. Any impairment loss is taken to the statement of income.
- The claims provision and technical provisions are taken based on technical studies and according to the instructions of the Insurance Commission. Moreover, the mathematical reserve is taken based on actuarial studies.
- A provision for lawsuits against the Company is based on a legal study by the Company's lawyer according to which probable future risks are determined. Such studies are reviewed periodically.
- Management periodically reviews the financial assets, shown at cost, to evaluate any impairment in their value. Such impairment is taken to the statement of income.
- Management evaluates the amounts expected to be recovered from insurance companies related to car accidents based on a study prepared by the Company's management and according to available information and documents.

- Fair value hierarchy: The Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e. assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When measuring the fair value of financial assets and liabilities, the Company deals with independent and competent parties to prepare the analysis, and analysis of the inputs used is reviewed by management.

#### 4. Deposits at Banks

This item consists of the following:

	December 31, 2016			December 31, 2015
	Deposits Maturing Within One Month to Three Months	Deposits Maturing after Three Months and up to One Year	Deposits Maturing after one Year and up to Five Years	Total
	JD	JD	JD	JD
Inside Jordan	5,669,518	3,065,771	-	8,735,289
				7,760,974

- During the year 2016, interest rates on deposits in Jordanian Dinar ranged from 2/90% to 4/00 %.
- Moreover, deposits collateralized to the order of the Director General of the Insurance Commission in addition to his position amounted to JD 325,000 as of December 31, 2016 and 2015 at Jordan Ahli Bank, and mature after three months.
- There are no restricted balances except for deposits mortgaged to the order of the Director General of the Insurance Commission.

#### 5. Financial Assets at Fair Value through Income Statement

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Inside Jordan:		
Quoted shares on Amman Stock Market	1,172,327	1,058,950
	1,172,327	1,058,950

#### 6. Financial Assets at Fair Value through Comprehensive Income

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Inside Jordan		
Quoted shares on Amman Stock Market	2,561,236	2,682,513
Unquoted shares on Amman Stock Market	62,300	62,300
	2,623,536	2,744,813

## 7. Financial Assets at Amortized Cost

This item consists of the following:

	December 31,	
	2016	2015
<u>Inside Jordan</u>	JD	JD
Company's loan debentures and bonds	109,500	334,500
Provision for Impairment in value	(21,900)	-
	<u>87,600</u>	<u>334,500</u>
Company's loan debentures and bonds	854,540	855,155
Foreign governmental loan debentures and bonds	71,699	71,699
Provision for Impairment in value	(9,645)	-
	<u>916,594</u>	<u>926,854</u>
	<u>1,004,194</u>	<u>1,261,354</u>

This table below details financial assets at amortized cost before deducting the provision.

Bonds	Less than one year	more than one year	total	Maturity Date	Interest
	JD	JD	JD	JD	JD
Specialized Investment Compounds Company PLC *	-	109,500	109,500	6/6/2020	10%
MAN AHL Diversified Producer's debentures	-	70,900	70,900	N/A	changeable
Lebanon bonds	-	71,699	71,699	9/3/2020	Interest
SBER Bank bonds	-	128,673	128,673	29/10/2022	6.375%
GAZPROM bonds	141,879	-	141,879	17/5/2017	5.125%
TELEMAR bonds	-	67,396	67,396	23/10/2020	5.625%
PETROBRAS bonds	-	71,266	71,266	20/1/2020	5.500%
AL BARAKA TURK bonds	-	157,957	157,957	30/6/2019	5.750%
BAHRAIN bonds	-	144,244	144,244	26/1/2021	6.250%
PEMEX bonds	-	72,225	72,225	4/2/2021	5.875%
	<u>141,879</u>	<u>893,860</u>	<u>1,035,739</u>		6.375%

- The Jordan Trade Facilities Company's bonds were paid on November 20, 2016.
- The Kuwait Project Company's bonds were paid on October 17, 2016.
- \* The maturity of the bonds has been extended for five years to June 6, 2020, and the interest rate was increased to 10% instead of 9.5%. Moreover, maturity has been extended for the second time from the first maturity on December 6, 2012.

Analysis of financial assets at amortized cost - Net

	December 31,	
	2016	2015
	JD	JD
a. Fixed return	964,839	1,190,454
b. Changeable return	70,900	70,900
	<u>1,004,194</u>	<u>1,261,354</u>

8. Investment Property

This item consists of the following:

	December 31	
	2016	2015
	JD	JD
Lands:		
Balance at the beginning of the year	324,734	324,734
Disposals	(8,588)	-
Balance at Year - End	316,146	324,734
Buildings:		
Balance at the beginning of the year	2,020,389	2,072,669
Less: Depreciation for the year	(53,280)	(53,280)
Balance at Year - End	1,967,109	2,020,389
	2,283,255	2,345,123

- The details of Investment property and Information related to fair value as of December 31, 2016 are as follows:

	Level One	Level Two	Level Three	Fair Value as of December 31, 2016
	JD	JD	JD	JD
Investment Property	-	2,366,626	-	2,366,626

There was no transfer between level one and level two during 2016.

Fair value averaged JD 2,366,626 according to the latest evaluation of these investments on February 4, 2016 and February 6, 2016 by three real estate appraisers.

9. Life Insurance Policyholders' Loans

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Life insurance policyholders' loans not exceeding the policy liquidation value	17,679	24,306

The maturity of the policyholders' loan is as follows:

	More than one year	Total
Life insurance for policyholders' loans	17,679	17,679

10. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Cash on hand	19,698	12,421
Current accounts at banks	1,412,087	1,871,931
	1,431,785	1,884,352

**11. Cheques under Collection**

This item consists of the following:

Cheques under collection\*

December 31,	
2016	2015
JD	JD
1,685,055	948,293
<u>1,685,055</u>	<u>948,293</u>

- \* The maturities of cheques under collection are up to November 27, 2017, and about 44% is provided by an agent.

**12. Receivables - Net**

This item consists of the following:

Policyholders receivable  
 Agents receivable \*\*  
 Brokers receivable  
 Employees receivable  
 Other receivables

December 31,	
2016	2015
JD	JD
4,135,203	2,687,668
1,113,354	1,517,443
1,844	5,918
7,223	15,518
<u>76,239</u>	<u>75,448</u>
5,333,863	4,301,995
<u>(697,362)</u>	<u>(708,122)</u>
<u>4,636,501</u>	<u>3,593,873</u>

Less: Provision for Impairment of doubtful debts \*  
 Receivables - Net

- The aging of receivables is as follows:

Less than 90 days  
 90 - 180 days  
 181 - 360 days  
 More than 360 days

December 31,	
2016	2015
JD	JD
4,664,130	3,591,811
20,146	21,801
44,982	42,584
<u>604,605</u>	<u>645,799</u>
<u>5,333,863</u>	<u>4,301,995</u>

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

	2016	2015
	JD	JD
Balance at the beginning of the year	708,122	720,182
(Surplus) In provision during the year	(10,760)	(12,060)
Balance - End of the Year	<u>697,362</u>	<u>708,122</u>

- \*\* The Company deals with a major agent constituting most of the balance above.

13. Re-Insurance and Local Insurance Companies' Accounts Receivable  
This item consists of the following:

	December 31,	
	2016	2015
Local insurance companies	JD	JD
Foreign re-insurance companies	533,234	647,599
	<u>243,008</u>	<u>193,362</u>
	776,242	840,961
<u>Less:</u> Provision for impairment of reinsurers' receivables *	<u>(187,318)</u>	<u>(163,868)</u>
Re-Insurance Companies' Accounts - Net	<u>588,924</u>	<u>677,093</u>

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

	December 31,	
	2016	2015