

Date : 14-05-2019

Ref : 16/AD/ 2019

To : Amman Stock Exchange

Interim Condensed Financial Statements for the Period
Ended 31/03/2019

Attached are the English financial statements of Arab Orient Insurance Co. for the period ended 31/03/2019 after being reviewed by our external auditors.

Kindly accept our highly appreciation and respect

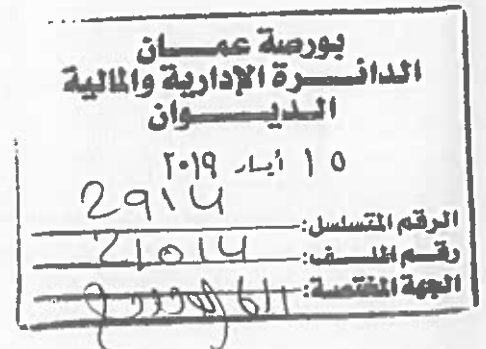
Deputy Director/ Accounting Dept.

Wail Shehadeh



Manager/ Accounting Dept.

Lina Al-Ramahi



ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2019

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

Introduction

We have reviewed the accompanying interim condensed financial statements of **ARAB ORIENT INSURANCE COMPANY** (a public shareholding company) as of 31 March 2019, comprising of interim statement of financial position as of 31 March 2019 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for three months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

Explanatory paragraph

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

Amman – Jordan
25 April 2019



ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	<u>Notes</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
		<u>JD</u> (Unaudited)	<u>JD</u> (Audited)
Assets			
Bank deposits	3	46,085,158	47,070,424
Financial assets at fair value through other comprehensive income	4	4,854,212	5,051,191
Financial assets at amortized cost	5	2,469,075	2,471,328
Total Investments		<u>53,408,445</u>	<u>54,592,943</u>
Cash and cash equivalents	14	2,065,099	2,494,466
Checks under collection		4,862,029	4,251,884
Accounts receivable	6	30,466,617	24,881,284
Reinsurance receivable	7	1,181,578	1,322,370
Property and equipment		4,748,061	4,808,393
Intangible assets		600,396	645,220
Deferred tax assets	8	5,019,799	5,722,030
Right of use assets		669,447	-
Other assets		1,686,745	1,427,919
Total Assets		<u>104,708,216</u>	<u>100,146,509</u>
Liabilities and Equity			
Liabilities –			
Insurance contract liabilities			
Unearned premium reserve		17,325,847	14,838,093
Premium deficiency reserve		884,000	884,000
Outstanding claims reserve		18,308,947	18,777,823
Total Insurance contract liabilities		<u>36,518,794</u>	<u>34,499,916</u>
Accounts payable	9	5,182,737	6,186,513
Accrued expenses		449,600	635,184
Reinsurance payables	10	25,886,142	22,253,293
Lease contracts obligations		547,898	-
Other provisions		1,152,239	1,084,242
Deferred tax liabilities	8	-	55,451
Other liabilities		589,714	227,718
Total Liabilities		<u>70,327,124</u>	<u>64,942,317</u>
Equity -			
Authorized and paid-in capital	11	21,438,252	21,438,252
Statutory reserve		5,107,646	5,107,646
Fair value reserve		(2,596,210)	(2,399,231)
Accumulated losses		(542,475)	(542,475)
Profit for the period		1,973,879	-
Net Equity		<u>25,381,092</u>	<u>23,604,192</u>
Subordinated loan	12	9,000,000	11,600,000
		<u>34,381,092</u>	<u>35,204,192</u>
Total Liabilities and Equity		<u>104,708,216</u>	<u>100,146,509</u>

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)**

	<u>Notes</u>	<u>31 March 2019 JD</u>	<u>31 March 2018 JD</u>
Revenues –			
Gross written premium		29,159,108	29,880,252
Less: reinsurance share		17,412,119	16,624,179
Net written premium		11,746,989	13,256,073
Net change in unearned premiums reserve		(2,487,754)	(2,635,496)
Net earned premium		9,259,235	10,620,577
Commissions income		2,737,917	2,267,219
Insurance policies issuance fees		1,160,882	1,161,453
Interest income		651,187	543,408
Total revenues		13,809,221	14,592,657
Claims, losses and expenses			
Paid claims		16,046,877	21,561,341
Less: Recoveries		1,023,980	1,315,540
Less: Reinsurance share		7,444,548	10,545,064
Net Paid claims		7,578,349	9,700,737
Net change in outstanding claims reserve		(468,876)	(1,583,064)
Allocated employees' expenses		1,481,653	1,471,210
Allocated general and administrative expenses		714,886	743,674
Excess of loss premium		163,726	208,982
Policies acquisition costs		633,062	673,302
Other expenses		74,852	122,167
Net claims costs		10,177,652	11,337,008
Unallocated employees' expenses		370,415	367,801
Unallocated general and administrative expenses		178,722	185,919
Depreciation and amortization		159,990	171,119
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivable		300,692	1,025,000
Provision for expected credit losses on checks under collection		4,610	-
(Gain) loss from sale of property and equipment		(3,519)	24,459
Total expenses		11,188,562	13,111,306
Profit for the period before tax		2,620,659	1,481,351
Income tax expenses	8	(646,780)	(355,524)
Profit for the period		1,973,879	1,125,827
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share for the period	13	0.092	0.053

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

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	31 March 2019	31 March 2018
	JD	JD
Profit for the period	1,973,879	1,125,827
Add: Other comprehensive income not be reclassified to profit and loss in subsequent periods		
Changes in fair value of financial assets at fair value through other comprehensive income	(196,979)	(78,988)
Total comprehensive income for the period	1,776,900	1,046,839

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)**

	Authorized and paid-in capital	Statutory reserve	Fair value reserve	Accumulated losses*	Profit for the period*	Total
	JD	JD	JD	JD	JD	JD
31 March 2019 -						
Balance as at 1 January 2019	21,438,252	5,107,646	(2,399,231)	(542,475)	-	23,604,192
Profit for the period	-	-	-	-	1,973,879	1,973,879
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(196,979)	-	-	(196,979)
Balance as at 31 March 2019	<u>21,438,252</u>	<u>5,107,646</u>	<u>(2,596,210)</u>	<u>(542,475)</u>	<u>1,973,879</u>	<u>25,381,092</u>
31 March 2018 -						
Balance as at 1 January 2018	21,438,252	4,683,051	-	(3,393,517)	-	22,727,786
IFRS (9) implementation effect	-	-	(62,737)	62,737	-	-
Adjusted balance as at 1 January 2018	21,438,252	4,683,051	(62,737)	(3,330,780)	-	22,727,786
Profit for the period	-	-	-	-	1,125,827	1,125,827
Change in fair value of financial assets through other comprehensive income	-	-	(78,988)	-	-	(78,988)
Balance as at 31 March 2018	<u>21,438,252</u>	<u>4,683,051</u>	<u>(141,725)</u>	<u>(3,330,780)</u>	<u>1,125,827</u>	<u>23,774,625</u>

* Accumulated losses include an amount of JD 5,019,799 as at 31 March 2019 (31 December 2018: JD 5,722,030), representing deferred tax assets that cannot be distributed according to the securities commission instructions.

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

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)**

	Note	31 March 2019 JD	31 March 2018 JD
<u>OPERATING ACTIVITIES</u>			
Profit for the period before tax		2,620,659	1,481,351
Adjustment for:			
Interest income		(651,187)	(543,408)
Depreciation and amortization		159,990	171,119
Interest on lease contracts obligations		4,406	-
Depreciation on right use assets		60,890	-
(profit) loss from sale of property and equipment		(3,519)	24,459
Net change in outstanding claims reserve		(468,876)	(1,583,064)
Net change in unearned premium reserve		2,487,754	2,635,496
End of service indemnity provision		71,250	99,695
Provision for expected credit losses on accounts receivable and provision for doubtful debts and reinsurance receivable		300,692	1,025,000
Provision for expected credit losses on checks under collection		4,610	-
Amortization of financial assets at amortization cost		2,253	2,121
Cash flows from operating activities before changes in working capital		4,588,922	3,312,769
Checks under collection		(614,755)	175,704
Accounts receivable		(5,834,492)	(6,149,714)
reinsurance receivable		89,259	385,031
Other assets		(361,097)	(119,054)
Accounts payable		(1,003,776)	974,569
Lease contracts obligations		(84,574)	-
Accrued expenses		(185,584)	(20,866)
reinsurance payable		3,632,849	930,708
Other liabilities		361,996	405,226
Paid from end of services provision		(3,253)	(109,040)
Net cash flows from (used in) operating activities		585,495	(214,667)
<u>INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		985,266	(627,935)
Purchase of property and equipment		(57,497)	(27,754)
Proceeds from sale of property and equipment		28,343	738
Purchase of intangible assets		(22,161)	(4,527)
Interests received		651,187	543,408
Net cash flows from (used in) investing activities		1,585,138	(116,070)
<u>FINANCING ACTIVITIES</u>			
Subordinated loan		(2,600,000)	-
Net cash flows used in financing activities		(2,600,000)	-
Net decrease in cash and cash equivalent		(429,367)	(330,737)
Cash and cash equivalents at the beginning of the period	14	2,494,466	1,242,338
Cash and cash equivalents at the end of the period	14	2,065,099	911,601

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

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD	2019 JD	2018 JD
Written Premium:																
Direct inward insurance	3,474,454	4,541,230	448,431	284,194	25,221	28,163	1,194,988	1,185,350	320,230	118,219	21,572,274	21,600,401	1,720,441	1,811,604	28,756,039	29,589,161
Facultative inward insurance business	188,986	223,945	-	-	-	-	211,586	81,303	742	1,820	-	-	1,755	4,023	403,069	311,091
Total Premium	3,663,440	4,765,175	448,431	284,194	25,221	28,163	1,406,574	1,266,653	320,972	120,039	21,572,274	21,600,401	1,722,196	1,815,627	29,159,108	29,880,252
Less:																
Local reinsurance share	189,747	237,288	12,064	100	-	-	143,487	142,656	-	-	-	-	28,890	35,343	374,188	415,387
Foreign reinsurance share	19,704	32,430	357,411	205,640	25,221	28,163	730,079	763,184	257,049	50,034	14,390,029	13,772,407	1,258,438	1,356,934	17,037,931	16,208,792
Net Written Premium	3,453,989	4,495,457	78,956	78,454	-	-	533,008	360,813	63,923	70,005	7,182,245	7,827,994	434,868	423,350	11,746,989	13,256,073
Add:																
Balance at the beginning of the period																
Unearned premium reserve	9,180,063	10,441,001	188,020	171,415	26,378	6,990	5,442,393	5,370,037	394,077	384,925	15,534,285	16,692,507	1,872,001	1,538,037	32,617,217	34,584,912
Less: reinsurance share	544,680	766,354	120,969	91,329	26,378	6,990	5,039,991	4,892,854	328,585	289,056	10,090,911	11,610,763	1,637,630	1,281,664	17,779,124	18,949,010
Net Unearned Premium reserve	8,635,383	9,674,647	67,051	80,086	-	-	402,402	477,183	65,512	65,869	5,443,374	5,081,744	244,371	256,373	14,838,093	15,635,902
Add:																
Balance at the beginning of the period																
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium deficiency reserve net	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less:																
Balance at the end of the period																
Unearned premium reserve	8,189,821	9,184,987	300,159	320,257	17,903	22,453	4,892,912	4,721,715	393,723	312,269	24,671,675	25,395,853	2,434,587	2,226,946	40,900,780	42,184,480
Less: reinsurance share	425,404	613,525	244,490	222,938	17,903	22,453	4,299,408	4,131,018	306,868	221,928	16,237,559	16,825,575	2,043,311	1,875,645	23,574,933	23,913,082
Unearned Premium reserve – net	7,764,417	8,571,462	55,669	97,319	-	-	593,504	590,697	86,865	90,341	8,434,116	8,570,278	391,276	351,301	17,325,847	18,271,398
Less:																
Balance at the end of the period																
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premium deficiency reserve net	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Net earned revenue																
from written Premium	4,304,955	5,598,642	90,338	61,221	-	-	341,906	247,299	42,570	45,533	4,191,503	4,339,460	287,963	328,422	9,259,235	10,620,577

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

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	4,676,031	5,602,317	1,812	152,820	-	-	179,456	1,465,511	13,318	32,212	10,986,460	14,106,693	189,800	201,788	16,046,877	21,561,341
Less:																
Recoveries	804,667	1,287,612	-	-	-	-	207,179	24,107	889	2,650	-	-	11,245	1,171	1,023,980	1,315,540
Local reinsurance share	1,659	6,073	-	-	-	-	(17,006)	34,748	-	-	-	-	2,060	30	(13,289)	40,851
Foreign reinsurance share	48,747	8,254	906	76,674	-	-	(3,426)	1,299,724	-	25,042	7,336,254	9,027,617	75,356	66,902	7,457,837	10,504,213
Net Paid Claims	3,820,958	4,300,378	906	76,146	-	-	(7,289)	106,932	12,429	4,520	3,650,206	5,079,076	101,139	133,685	7,578,349	9,700,737
Add:																
Outstanding Claims reserve at the end of the period																
Reported	15,768,193	15,233,807	169,713	140,119	-	-	1,915,742	1,754,727	382,036	300,681	2,660,897	2,804,819	3,372,453	1,794,940	24,269,034	22,029,093
Not reported	2,633,000	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,511,161	3,551,824	170,000	170,000	5,564,161	6,571,824
Less:																
reinsurance share reported	873,086	860,509	106,696	94,088	-	-	1,637,617	1,402,996	133,787	133,880	1,852,658	1,917,947	3,046,375	1,395,280	7,652,219	5,804,700
Not reported	-	-	-	-	-	-	-	-	-	-	1,709,357	2,428,752	-	-	1,709,357	2,428,752
Recoveries	2,162,672	1,542,746	-	-	-	-	-	-	-	-	-	-	-	-	2,162,672	1,542,746
Net Outstanding Claims reserve at the end of the period	15,365,435	15,430,552	83,017	66,031	-	-	478,125	551,731	278,249	196,801	1,610,043	2,009,944	494,078	569,660	18,308,947	16,824,719
Less:																
Outstanding Claims reserve at the beginning of the period																
Reported	15,932,658	15,346,137	105,763	279,437	-	-	1,915,364	2,643,446	394,163	328,361	2,978,028	4,731,485	2,728,852	1,759,884	24,054,628	25,088,750
Unreported	2,694,200	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,376,865	4,513,125	170,000	170,000	5,491,065	7,533,125
Less:																
reinsurance share reported	861,749	1,188,029	74,721	164,697	-	-	1,640,935	2,228,545	125,687	163,780	2,117,675	3,006,288	2,393,290	1,360,744	7,214,057	8,112,083
Not reported	-	-	-	-	-	-	-	-	-	-	1,544,825	2,867,547	-	-	1,544,825	2,867,547
Recoveries	2,009,188	1,234,462	-	-	-	-	-	-	-	-	-	-	-	-	2,009,188	1,234,462
Net Outstanding Claims reserve at the beginning of the period	15,755,921	15,523,646	51,042	134,740	-	-	474,429	614,901	298,476	194,581	1,692,393	3,370,775	505,562	569,140	18,777,823	20,407,783
Net Claims Cost	3,430,472	4,207,284	32,881	7,437	-	-	(3,593)	43,762	(7,798)	6,740	3,567,866	3,718,245	89,655	134,205	7,109,473	8,117,673

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

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE THREE MONTHS ENDED 31 MARCH 2019 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	4,304,955	5,598,642	90,338	61,221	-	-	341,906	247,299	42,570	45,533	4,191,503	4,339,460	287,963	328,422	9,259,235	10,620,577
Less:																
Net claims cost	3,430,472	4,207,284	32,881	7,437	-	-	(3,553)	43,762	(7,798)	6,740	3,567,856	3,718,245	89,655	134,205	7,109,473	8,117,673
Add:																
Commissions received	5,956	8,877	168,536	42,196	1,261	1,420	226,198	272,585	130,693	15,256	1,806,588	1,491,722	398,685	435,163	2,737,917	2,267,219
Insurance policies issuance fees	106,776	175,008	11,116	13,418	252	284	41,479	58,037	9,994	6,703	906,946	843,150	84,319	64,853	1,160,882	1,161,453
Total revenues	987,215	1,575,243	237,109	109,398	1,513	1,704	613,176	534,159	191,055	60,752	3,337,181	2,956,087	681,312	694,233	6,048,561	5,931,576
Less:																
Insurance policies acquisition costs	96,987	170,162	19,859	5,379	-	-	90,035	46,492	7,958	6,630	339,294	366,996	78,929	77,643	633,062	673,302
Excess of loss premiums	31,046	52,614	12,936	20,387	-	-	90,178	103,100	-	-	-	-	29,566	32,881	163,726	208,982
General and administrative expenses related to underwriting accounts	275,965	353,220	33,780	21,066	1,900	2,088	105,956	93,891	24,179	8,898	1,625,028	1,601,137	129,731	134,584	2,196,539	2,214,864
Other expenses	-	-	512	669	-	-	3,472	2,423	-	-	69,794	117,899	1,074	1,176	74,852	122,167
Total Expenses	403,998	575,996	67,087	47,501	1,900	2,088	289,641	245,906	32,137	15,528	2,034,116	2,086,032	239,300	246,284	3,068,179	3,219,335
Underwriting profit	583,217	999,247	170,022	61,897	(387)	(384)	323,535	288,253	158,918	45,224	1,303,065	870,055	442,012	447,949	2,980,382	2,712,241

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

(1) GENERAL

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

The Company is engaged in insurance business against fire, accidents, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located at Jabal Amman 3rd circle in Amman, and other branches at Marca "licensing services center", Mecca Street, 8th Circle, Abdali and Abdali- Boulevard in Amman, Aqaba branch in Aqaba City and in Irbid branch in Irbid city.

The Company is 90.45% owned by Gulf Insurance Company as at 31 March 2019.

The interim financial statements were approved by the Board of Directors in its meeting on 25 April 2019.

(2) Basis of preparation

The interim financial statements for the three months ended 31 March 2019 have been prepared in accordance with International Accounting Standard (34) "Interim Financial Reporting".

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

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual report as at 31 December 2018. In addition, the results for the three months ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2019.

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
	(Unaudited)
Assets	
Right of use assets	730,337
Prepaid expenses	(102,271)
Liabilities	
Lease contracts obligation	628,066
Total equity	-

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of plant, equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

- *Leases previously accounted for as operating leases*

The Company recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

b) Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

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

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

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

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

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

(3) BANK DEPOSITS

This item represents the following:

	31 March 2019		31 December 2018
	Deposits matured between 6 months to 1 Year	Total	Total
	JD	JD	JD
		(Unaudited)	(Audited)
Inside Jordan	46,085,158	46,085,158	47,070,424

Interest rates on bank deposit balances in Jordanian Dinar range from 4.5% to 6.5% during the period of the year 2019.

Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amounted to JD 225,000 as at 31 March 2019 and 31 December 2018.

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

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Below are the distribution of deposits at banks:

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Jordan Kuwait Bank	14,784,717	17,065,542
Capital Bank	2,374,273	2,304,283
Audi Bank	2,305,599	2,244,565
Invest Bank	3,720,041	3,723,304
Blom Bank	2,821,006	2,746,616
Al Etihad Bank	3,167,883	3,086,544
Jordan Commercial Bank	3,609,395	3,514,761
Arab Banking Corporation Bank	3,604,579	3,604,579
Bank of Jordan	1,097,186	1,097,186
Egyptian Arab Land Bank	2,974,713	2,349,713
Cairo Amman Bank	2,000,000	2,000,000
Jordan Ahli Bank	3,625,766	3,333,331
	<u>46,085,158</u>	<u>47,070,424</u>

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

This item consists of the following:

	Number of shares	31 March 2019	31 December 2018
		JD	JD
		(Unaudited)	(Audited)
Listed Shares:			
Cairo Amman Bank	553,581	680,905	736,263
Afaq for energy	1,140,147	1,721,622	2,154,878
Afaq for investment and real estate development	1,541,500	1,680,235	1,541,500
Dar Al Dawa development and investment	695,000	771,450	618,550
Total financial assets at fair value through other comprehensive income		<u>4,854,212</u>	<u>5,051,191</u>

(5) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
<u>Inside Jordan:-</u>			
Unlisted Bonds in financial markets:			
Arab Real Estate Development Company*	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - net		<u>1,000</u>	<u>1,000</u>

Bonds listed in financial markets

Treasury bonds/ Hashemite Kingdom of Jordan**	1,330	<u>951,132</u>	<u>951,338</u>
Total financial assets at amortized cost inside Jordan		<u>952,132</u>	<u>952,338</u>

	Number of bonds	31 March 2019 JD (Unaudited)	31 December 2018 JD (Audited)
<u>Outside Jordan:</u>			
Treasury bonds/ Kingdom of Bahrain Government***	715	529,838	530,272
Treasury bonds/ Kingdom of Bahrain Government****	1,315	<u>987,105</u>	<u>988,718</u>
Net financial assets at amortized cost outside Jordan		<u>1,516,943</u>	<u>1,518,990</u>
Total financial assets at amortized cost		<u>2,469,075</u>	<u>2,471,328</u>

- * These bonds matured on April 1, 2011 at fixed annual interest rate of 10%. Interest is paid every nine months on October 1st and April 1st of each year, the first payment was on October 1st 2008. The Board of Directors approved in its meeting number (2) held on March 24, 2011 the published amended draft prospectus that was approved by the General Assembly of the bonds owners on March 28, 2011. The prospectus includes extending the maturity date of these bonds to April 1, 2015 and amending the interest rate to become a fixed annual interest rate of 11%, to be paid semiannually on October 1st, and April 1st each year starting from October 1st 2011. The Company did not collect or record any interest from these bonds after the prospectus was modified.

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

Arab Real Estate Development Company bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 31 March 2019.

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

(6) ACCOUNTS RECEIVABLE

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Policy holders *	36,270,317	30,560,159
Brokers receivables	2,140,352	2,116,559
Employees' receivables	117,986	65,832
Other receivables	601,499	553,112
	39,130,154	33,295,662
Less: Provision for expected credit losses**	(8,663,537)	(8,414,378)
Accounts receivable, net	30,466,617	24,881,284

- * Includes scheduled payment amounted to JD 18,412,906 after 31 March 2019 (JD 14,883,127) as of 31 December 2018).

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

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	8,414,378	6,940,953
Additions	249,159	1,473,425
Balance at the end of the period / year	8,663,537	8,414,378

(7) REINSURANCE RECEIVABLE

This item consists of the following:

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	1,381,700	1,488,033
Foreign reinsurance companies	324,033	306,959
	1,705,733	1,794,992
Less: Provision for doubtful debt for reinsurance receivable *	(524,155)	(472,622)
Reinsurance receivable, net	1,181,578	1,322,370

* Movement on the provision for reinsurance receivable consists of the following:

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	472,622	384,047
Additions	51,533	88,575
Balance at the end of the period/year	524,155	472,622

(8) INCOME TAX

A- Income tax provision

The movement on the income tax provision is as follows:

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	-	-
Provision for the period/ year	-	64,830
Income tax paid	-	(64,830)
Prior year income tax	-	-
Balance at the end of the period/ year	-	-

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

	31 March 2019	31 March 2018
	JD	JD
	(Unaudited)	(Unaudited)
Deferred tax assets	702,231	355,524
Deferred tax liabilities	(55,451)	-
	646,780	355,524

B- Deferred tax asset

This item consists of the following:

	31 March 2019				31 December 2018	
	Beginning Balance	Released Amounts	Additions	Ending Balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD (Unaudited)	JD (Audited)
Deferred tax asset:						
Provision for expected credit losses on accounts receivable and provision for doubtful debt for reinsurance receivable	8,887,000	-	-	8,887,000	2,132,880	2,132,880
Provision for expected credit losses for checks under collection	52,317	-	-	52,317	12,556	12,556
Impairment loss on financial asset	1,199,000	-	-	1,199,000	287,760	287,760
Provision for incurred but not reported claims, net	3,946,240	91,436	-	3,854,804	925,153	947,098
Provision for end of service indemnity	1,084,242	3,253	71,250	1,152,239	276,537	260,218
Premium deficiency reserve	884,000	-	-	884,000	212,160	212,160
Profit for the period	7,788,987	2,902,525	-	4,886,462	1,172,753	1,869,358
	<u>23,841,786</u>	<u>2,997,214</u>	<u>71,250</u>	<u>20,915,822</u>	<u>5,019,799</u>	<u>5,722,030</u>

The movement on deferred tax assets and deferred tax liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	5,722,030	6,690,252	55,451	55,451
Deductions	(702,231)	(968,222)	(55,451)	-
Balance at the end of the period/year	<u>5,019,799</u>	<u>5,722,030</u>	<u>-</u>	<u>55,451</u>

(9) ACCOUNTS PAYABLE

	31 March 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Agent's payables	897,196	682,170
Employees payables	10,863	13,130
Garages payables and vehicles parts	308,992	441,288
Medical network payables	1,616,246	2,236,406
Trade and companies payables	2,349,440	2,813,519
	<u>5,182,737</u>	<u>6,186,513</u>

(10) REINSURANCE PAYABLE

	31 March 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Local insurance companies	132,561	95,783
Foreign reinsurance companies	25,753,581	22,157,510
	<u>25,886,142</u>	<u>22,253,293</u>

(11) AUTHORIZED AND PAID-IN CAPITAL

Authorized and paid in capital amounted to JD 21,438,252 divided into 21,438,252 shares the par value of each is JD 1 as of 31 March 2019.

(12) SUBORDINATED LOAN

On November 15, 2017, the Company has borrowed from Gulf Insurance Group an amount of USD (16,361,071) which is equivalent to JD 11,600,000 as a subordinated loan to raise the company solvency margin in line with the insurance administration instruction No.3 of 2002 and the decisions issues there under. This loan bear no interest payable and no maturity or repayment schedule. The Company paid an amount of USD (3,667,137) which is equivalent to JD 2,600,000. The subordinated loan as at 31 March 2019 is USD (12,693,935) which is equivalent to JD 9,000,000.

(13) BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD

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

	For the three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period (JD)	1,973,879	1,125,827
Weighted average number of shares (Share)	21,438,252	21,438,252
	JD/Fils	JD/Fils
Basic and diluted earnings per share from the period	0.092	0.053

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

(14) CASH AND CASH EQUIVALENTS

This item consists of the following:

	31 March 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Cash on hand and bank balances	2,065,099	2,494,466
Add: deposits at bank	46,085,158	47,070,424
Less: deposits at banks mature within the period of more than three months	(45,860,158)	(46,845,424)
Less: restricted deposits to the favor of general manager of the insurance regulatory commission (note 3)	(225,000)	(225,000)
Net Cash and cash equivalent at the end of the period/ year	2,065,099	2,494,466

(15) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as at 31 March 2019

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During 2011 it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurers' accounts through Gulf Insurance Company, where the company's credit balance as at 31 March 2019 amounted to JD 563,779 for reinsurance.

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

	Related party		Total	
	Jordan Kuwait Bank	Top Executive Management	31 March 2019	
	JD	JD	JD	
			(Unaudited)	
			31 December 2018	
			JD	
			(Audited)	
<u>Statement of Financial Position Items:</u>				
Time deposits	14,659,716	-	14,659,716	17,065,542
Overdraft account - credit balance	1,368,367	-	1,368,367	1,781,049
Current accounts under demand	591,913	-	591,913	212,190
Deposits on letters of guarantee	258,869	-	258,869	299,749
Accounts receivable/ payable	1,129,405	5,727	1,135,132	(19,695)
<u>Off-statement of Financial Position Items:</u>				
Letters of guarantee	2,588,690	-	2,588,690	2,997,490
	Related party		Total	
	Jordan Kuwait Bank	Top Executive Management	31 March 2019	
	JD	JD	JD	
			(Unaudited)	
			31 March 2018	
			JD	
			(Unaudited)	
<u>Statement of Income Items :</u>				
Bank interest income	176,686	-	176,686	166,192
Insurance premiums	2,197,391	2,969	2,200,360	2,057,500
Bank expenses and commissions	34,898	-	34,898	48,302
Salaries	-	209,948	209,948	211,401
Bonuses	-	79,420	79,420	900
Transportation expenses for members of the Board of Directors	-	12,600	12,600	12,600

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

	31 March 2019	31 March 2018
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and bonuses	289,368	212,301

(16) ANALYSIS OF MAIN SECTORS

Information on the Company's business sectors.

For management purposes the Company was organized to include the general insurance sector including (insurance on motor, marine, fire and property, liability, medical). This sector constitute the basis that the company uses to show information related to key sectors. The above sector also includes investments and cash management for the company account. The activities between the business sectors are performed based on commercial basis, under the same terms as with others.

(17) LAWSUITS BY AND AGAINST THE COMPANY

The company appears as defendant in a number of lawsuits, the company booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the company's legal consultant, the provision for a total amount of JD 3,543,265 is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the company within its activity is JD 2,695,618 as at 31 March 2019.

(18) CONTINGENT LIABILITIES

At 31 March 2019, the Company had letters of guarantee amounting JD 2,588,690 against which cash margins of JD 258,869 are held.